

WATERWORKS DISTRICT NO. 7

KEITHVILLE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2018

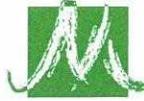
Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 7

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of Waterworks District No. 7 (the District), a component unit of the Caddo Parish Commission as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 7, as of December 31, 2018, and the changes in financial position

for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

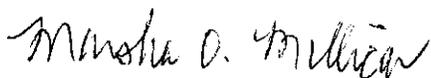
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of employer's share of net pension liability, and schedule of employer pension contributions be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information if fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my reported dated June 13, 2019 on my consideration of Waterworks District No. 7's internal control over functional reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 7's internal control over financial reporting and compliance.



Certified Public Accountant
June 13, 2019

**WATERWORKS DISTRICT NO. 7
6836 COLQUITT ROAD
KEITHVILLE, LOUISIANA 71047**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Waterworks District No. 7's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2018. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$2,634,305 at year end which represents an increase from the prior year of \$122,215.

During the year ended December 31, 2018, the District reduced its long-term debt by \$121,580.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and Notes to Financial Statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's net position and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$2,634,305 as of December 31, 2018.

The District's major assets are its fixed assets of \$2,524,680 representing its investment in its water distribution system and water treatment plant. The District owed \$1,207,209 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

**Waterworks District No. 7
Statement of Net Position
December 31,**

	<u>2018</u>	<u>2017</u>
Current assets	\$ 726,372	\$ 674,357
Other assets	680,580	680,155
Capital Assets, net of depreciation	2,524,680	2,581,456
Total Assets	<u>3,931,632</u>	<u>3,935,968</u>
Accounts payable and accrued expenses	39,491	36,590
Notes Payable	1,207,209	1,328,789
Other liabilities	50,627	58,499
Total liabilities	<u>1,297,327</u>	<u>1,423,878</u>
Deferred inflows of resources	-	-
Invested in capital assets, net of related debt	1,317,471	1,252,667
Reserved for debt service	-	-
Unrestricted	<u>1,316,834</u>	<u>1,259,423</u>
Net Position	<u>\$ 2,634,305</u>	<u>\$ 2,512,090</u>

Waterworks District No. 7
Statement of Changes in Net Position
December 31,

	2018	2017
Operating Revenues	\$ 885,974	\$ 824,478
Operating Expenses	729,103	635,908
Operating Income	156,871	188,570
Non-operating Income/Expense	(34,656)	(45,959)
Changes in Net Position	\$ 122,215	\$ 142,611

The District's total operating revenues increased by \$61,496 from the previous year. The total operating expense increased by \$63,215 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 201, the District had \$2,524,680 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$56,776 as a result of additions of \$61,738 and depreciation expense of \$118,514..

Capital Assets at Year End
December 31,

	2018	2017
Distribution and Treatment Systems	\$ 3,678,092	\$ 3,678,092
Equipment	614,840	578,102
Building	130,591	105,591
Total	4,423,523.00	4,361,785.00
Less: Accumulated Depreciation	1,898,843	1,780,329
Net Fixed Assets	\$ 2,524,680	\$ 2,581,456

Debt

The District had long-term debt as follows:

	<u>Balance</u> <u>12/31/2018</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2018</u>
Water Revenue Bond	\$ 350,680	\$ -	\$ 28,638	\$ 322,042
Bonds Series 2013 A	27,329	-	7,371	19,958
Bonds Series 2013 B	194,463	-	17,370	177,093
Bonds Series 2013 B-1	499,929	-	25,039	474,890
Bonds Series 2013	<u>256,388</u>	<u>-</u>	<u>43,162</u>	<u>213,226</u>
Totals	<u>\$1,328,789</u>	<u>\$ -</u>	<u>\$121,580</u>	<u>\$1,207,209</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting the next year's rates and fees. These factors and indicators include: long-term debt, cost of operations and number of customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Waterworks District No. 7, Keithville, Louisiana's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Waterworks District No. 7, 6836 Colquitt Road, Keithville, Louisiana 71047, or by calling (318)925-6880.

WATERWORKS DISTRICT NO. 7Keithville, Louisiana
Statement of Net Position

December 31, 2018

ASSETS	
<u>Current Assets</u>	
Cash	\$ 657,813
Accounts Receivable (Net)	68,559
Total Current Assets	<u>726,372</u>
<u>Other Assets</u>	
Restricted Cash	48,925
Investments	631,655
Fixed Assets (Net)	2,524,680
Total Other Assets	<u>3,205,260</u>
Total Assets	<u>3,931,632</u>
Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	39,491
Current portion of long-term debt	126,332
Total Current Liabilities	<u>165,823</u>
<u>Long Term Liabilities</u>	
Customer Deposits Payable	48,925
Long-Term Debt, Net of Current Portion	1,080,877
Accrued Interest Payable	1,702
Total Long-Term Liabilities	<u>1,131,504</u>
Total Liabilities	<u>1,297,327</u>
Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,317,471
Unreserved	1,316,834
Total Net Position	<u>\$ 2,634,305</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2018

Revenues:	
Charges for Services	\$ 885,974
Total Revenues	<u>885,974</u>
Operating Expenses:	
Personal Services	275,807
Utilities	61,775
Repair and Maintenance	76,595
Other Supplies and Expense	183,490
Insurance	12,922
Depreciation	<u>118,514</u>
Total Expenses	<u>729,103</u>
Operating Income (Loss)	156,871
Non-Operating Revenues (Expenses)	
Interest Income	9,589
Interest Expense	<u>(44,245)</u>
Total Non-Operating Revenues (Expenses)	<u>(34,656)</u>
Change in Net Position	122,215
Net Position - Beginning of Year	<u>2,512,090</u>
Net Position - End of Year	<u><u>\$ 2,634,305</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 884,434
Cash payments to suppliers	<u>(615,938)</u>
Net cash provided by operating activities	<u>268,496</u>
Cash flows from capital and related financing activities:	
Fixed asset purchases	(61,738)
Interest paid on long-term debt	(43,867)
Proceeds of long-term debt	-
Principal payments on long-term debt	<u>(121,579)</u>
Net cash provided by capital and related financing activities	<u>(227,184)</u>
Cash flows from investing activities:	
Net change in investments	<u>(8,676)</u>
Net cash provided by investing activities	<u>(8,676)</u>
Cash flows from noncapital financing activities:	
Interest income	<u>9,589</u>
Net increase in cash	42,225
Cash, beginning of year (including restricted cash of \$57,175)	<u>664,513</u>
Cash, end of year(including restricted cash of \$48,925)	<u>\$ 706,738</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	156,871
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	118,514
Increase in accounts receivable	(1,540)
Decrease in customer deposits	(8,250)
Increase in accounts payable	<u>2,901</u>
Net cash provided by operating activities	<u>\$ 268,496</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2018

Waterworks District No. 7, Keithville, Louisiana, was created on January 8, 1975 as provided under Louisiana Revised Statutes 33:3811 and is a component unit of the Caddo Parish Commission. The purpose of the District is to provide water service to the residents of District No. 7. The District is governed by a five person by a five person board of commissioners appointed by the Caddo Parish Commission. Commissioners of the District serve five-year terms and are compensated as provided in Louisiana Revised Statutes 33:3819. The District is comprised of property in southwest Caddo Parish, Louisiana, and services approximately 1800 residential and commercial customers.

1. *Summary of Significant Accounting Policies:*

The financial statements of Waterworks District No. 7, Keithville, Louisiana (the District), have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. *Cash:*

At year end, the carrying amount of the District's cash balance at banks totaled \$706,738. Bank balances were \$712,088 at year end. The difference is due to outstanding checks at year end. The difference is due to outstanding checks at year end. Bank balances totaling \$500,000 were insured by the FDIC. An additional \$212,088 were protected by securities held in the name of the District.

3. *Investments:*

Investments totaled \$631,655 at December 31, 2018. Investments at year end consisted of certificates of deposit and money market accounts totaling \$532,085 and government bonds of \$99,570. All certificates deposits are insured by FDIC insurance.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2018

4. *Accounts Receivable:*

Accounts receivable for customer water bills at December 31, 2018, totaled \$74,698 less an allowance for doubtful accounts of \$6,139.

5. *Fixed Assets:*

A summary of fixed assets follows:

Office Furniture	\$	48,597
Machinery & Equipment		566,243
Land		50,200
Water System		<u>3,758,483</u>
		4,423,523
Less: Accumulated Depreciation		<u>(1,898,843)</u>
Net fixed assets	\$	<u>2,524,680</u>

Fixed asset additions for the year totaled \$61,738. Depreciation charged to operations for the year ended December 31, 2018 was \$118,514.

6. *Long-Term Debt:*

The following is a summary of debt transactions of Waterworks District No. 7 for the year ended December 31, 2018.

	Balance 1/1/2018	Proceeds	Payments	Balance 12/31/2018
Water Revenue Bond	\$ 350,680	\$ -	\$ 28,638	\$ 322,042
Bonds Series 2013 A	27,329	-	7,371	19,958
Bonds Series 2013 B	194,463	-	17,370	177,093
Bonds Series 2013 B-1	499,929	-	25,039	474,890
Bonds Series 2013	<u>256,388</u>	<u>-</u>	<u>43,162</u>	<u>213,226</u>
Totals	<u>\$1,328,789</u>	<u>\$ -</u>	<u>\$121,580</u>	<u>\$1,207,209</u>

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2018

6. Long-Term Debt: (Continued)

Bonds and notes payable at December 31, 2018, are comprised of the following:

Revenue Bonds - Series 2013A

Note payable to a bank dated September 30, 2013 in the amount of \$56,500, due in monthly installments of \$669 October 20, 2013 through July 30, 2021; bearing interest at a rate of 2.75%; collateralized by assets of the District. \$ 19,958

Revenue Bonds - Series 2013B

Note payable to a bank dated September 30, 2013 in the amount of \$262,500, due in monthly installments of \$1,935 October 20, 2013 through July 30, 2023; with a balloon payment of \$92,459 on July 30, 2023; bearing interest at a rate of 3.125%; collateralized by assets of the District. 177,093

Revenue Bonds - Series 2013B-1

Note payable to a bank dated September 30, 2013 in the amount of \$598,000; due in monthly installments of \$3,362 October 20, 2013 through July 30, 2023; with a balloon payment of \$353,897 on July 30, 2023; bearing interest at a rate of 3.15%; collateralized by assets of the District. 474,890

Revenue Bonds - Series 2013

Note payable to a bank dated May 29, 2013 in the amount of \$440,675; due in monthly installments of \$4,095 from July 1, 2013 through August 1, 2023; bearing interest at a rate of 2.5%; collateralized by assets of the District. 213,226

Utility Revenue Bonds

Water Revenue Bonds in the amount of \$369,000 dated July, 2017; due in monthly installments of \$3,727 through July, 2027; bearing interest at a rate of 5%; collateralized by assets of the District. 322,042

Total Notes Payable 1,207,209

Less: Current Maturities (126,332)

Note Payable - Long-Term \$ 1,080,877

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2018

The annual requirements to amortize debt outstanding as of December 31, 2018 including interest payments of \$173,302 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 126,332	\$ 37,903	\$ 164,235
2020	130,306	33,931	164,237
2021	131,068	29,290	160,358
2022	129,215	26,996	156,211
2023	113,819	22,939	136,758
2024 and After	<u>576,469</u>	<u>22,243</u>	<u>598,712</u>
Totals	<u>\$ 1,207,209</u>	<u>\$ 173,302</u>	<u>\$ 1,380,511</u>

7. *Operating Leases:*

The District has entered into six operating leases for plots of land, of which five are for the production of water and one is for stand pipe and office equipment. The following is a schedule by years of future rental payments required under operating leases having remaining noncancelable lease terms in excess of one year as of December 31, 2018: 2019 - \$7,200; 2020 - \$7,200; 2021 - \$7,200; 2022 - \$7,200; 2023 - \$7,200; 2024 and after - \$92,700.

8. *Pension Plan:*

The Districted has adopted a SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 3% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees include those that received at least \$300 in any previous year and expect to receive \$300 during any specific year. Contributions of \$6,150 were paid to the plan for the year ended December 31, 2017, based on eligible wages of \$205,000.

9. *Contingencies:*

From time to time, in the normal course of business, the District is subject to various claims and litigation. Management believes the District has sufficient liability coverage to protect it from material losses.

10. *Subsequent Events:*

Management has evaluated events through June 13, 2019, the date the financial statements were available to be issued and determined no additional disclosures are warranted.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Schedule of Compensation Paid to Commissioners

For the Year Ended December 31, 2018

Steve Mikovich	\$ 840
Jimmy Edwards	900
Jewell Wagner	840
Ann Osment	900
Glenda Britton	<u>900</u>
Total	<u>\$ 4,380</u>

WATERWORKS DISTRICT NO. 7

Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2018

Agency Head: Randy Moulton, Operations Manager

Salary	<u>\$ 88,440</u>
Payroll Taxes	<u>\$ 6,614</u>
Retirement	<u>\$ 2,353</u>

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2018

Finding 2017-1: District employees did not obtain ethics training in 2017.

Status: Resolved.



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Waterworks District No. 7 as of and for the year ended December 31, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 7's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

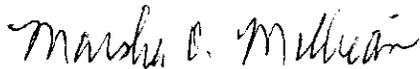
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 7's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.



Certified Public Accountant

June 13, 2019

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana
Schedule of Findings

Year Ended December 31, 2018

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

There were no findings for the year ended December 31, 2018.



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES

To the Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

I have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Caddo Parish Waterworks District No. 7 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

My procedures and associated findings are enumerated below.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operation):
 - a) ***Budgeting***, including preparing, adopting, monitoring and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Procedures Results - I noted no exceptions.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedures Results - I noted no exceptions.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure Results - I noted no exceptions.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger posting to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and
 - a) Observe that receipts are sequentially pre-numbered.

- b) Trace sequential pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to actual deposit per the bank statement
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - I noted no exceptions.

Non-Payroll Disbursements - General (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Results - I noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
 - a) Observe that there is evidence that the monthly statement of combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure Results - I noted no exceptions.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U. S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation included the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Procedure Results - I noted no exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all

contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure Results - I noted no exceptions.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period, For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' authorized pay rates in the employee/officials' personnel file.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure Results - I noted no exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Results - I noted no exceptions.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure Results - I noted no exceptions.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure Results - I noted no exceptions.

I was not engaged and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those controls or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:514, this report is distributed by the LLA as a public document.



Certified Public Accountant
June 13, 2019