

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2018

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
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As of and for the Year Ended
December 31, 2018

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SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Financial Statements
As of and for the Year Ended December 31, 2018

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 of 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.

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Independent Auditor's Report

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Ouachita Waterworks, Inc., as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

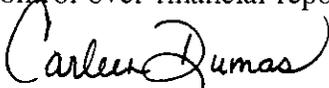
Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Schedule of Prior Year Findings are presented for the purposes of additional analysis and are not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Insurance Policies in Force has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2019, on my consideration of Southwest Ouachita Waterworks, Inc.'s internal control over financial 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 solely 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 the effectiveness of Southwest Ouachita Waterworks, Inc.'s 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 Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
February 28, 2019

FINANCIAL STATEMENTS

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets:

Cash	\$55,694
Accounts receivable (net of allowance for uncollectible accounts)	213,993
Total current assets	269,687
Cash - designated for:	
Customer meter deposits	106,820
Vehicles	57,727
Debt service	758,677
Capital additions and contingencies	291,231
Construction	101
Total designated cash	1,214,556
Property, plant, and equipment (net of accumulated depreciation)	5,124,622

TOTAL ASSETS

\$6,608,865

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$51,735
Customer meter deposits	109,126
Current portion of loans payable	8,140
Total current liabilities	169,001
Long-term liabilities - loans payable	3,229,175
Total liabilities	3,398,176
Net assets without donor restrictions	3,210,689

TOTAL LIABILITIES AND NET ASSETS

\$6,608,865

See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Operating Revenues:	
Water fees	\$1,848,118
Meter installation fees	30,075
Late charges	62,424
Reconnection and tamper fees	38,117
Other revenue	6,357
Total operating revenues	<u>1,985,091</u>
Operating Expenses:	
Accounting	7,000
Auto expense and mileage	40,931
Bad debts and collection expense	19,873
Bank charges	24,150
Billing expense	46,794
Chemicals	53,552
Commissioners fees	16,500
Contract labor	72,885
Depreciation	74,689
Employee health insurance	66,325
Engineering fee	1,100
Installations - labor and material	54,872
Insurance	43,450
Janitorial service	2,600
Maintenance	9,596
Miscellaneous	16,321
Office supplies	16,426
Payroll taxes	27,751
Permits and licenses	2,888
Postage	550
Repairs and system improvements	115,168
Salaries	354,197
Utilities	128,197
Total operating expenses	<u>1,195,815</u>
Operating Income	<u>789,276</u>
Non-Operating Revenue (Expenses):	
Lease income	4,080
Interest income	3,427
Interest expense	(10,780)
Total non-operating revenue (expenses)	<u>(3,273)</u>
Increase in Net Assets	786,003
Net Assets at Beginning of Year	<u>2,424,686</u>
Net Assets at End of Year	<u><u>\$3,210,689</u></u>

See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	<u>\$786,003</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	74,689
Increase in accounts receivable	(2,645)
Increase in accounts payable	10,556
Increase in customer deposits	13,291
Lease income	(4,080)
Interest income	(3,427)
Interest expense	10,780
Total adjustments	<u>99,164</u>
Net cash provided by operating activities	<u>885,167</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(698,389)
Interest on long-term debt	(78,994)
Purchase and construction of capital assets	(912,779)
Reimbursement from police jury	37,727
Loan proceeds	850,178
Net cash used by financing activities	<u>(802,257)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Lease income	4,080
Interest income	3,427
Net cash provided by investing activities	<u>7,507</u>

NET INCREASE IN CASH

90,417

CASH AT BEGINNING OF YEAR1,179,833**CASH AT END OF YEAR**\$1,270,250**Reconciliation of cash per statement of cash flows to
cash per statement of financial position:**

Cash	\$55,694
Designated cash	1,214,556
Total cash	<u><u>\$1,270,250</u></u>

See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Southwest Ouachita Waterworks, Inc., is a nonprofit organization domiciled in West Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Southwest Ouachita Waterworks, Inc. provides water to approximately 3,390 members residing within the territorial boundaries of the water system and has 10 employees.

B. RECEIVABLES

Accounts receivable consist of amounts due from members for water service provided prior to year end. Receivables are reported net of an allowance for uncollectible accounts that is an estimate based on historical collection percentages and management's evaluation of the amount of outstanding receivables that are considered uncollectible. Water service is cut-off for customers with two months water service in arrears. Past due accounts are written off when they are considered uncollectible by management.

C. FIXED ASSETS

The cost of the original water system, major improvements to the water system, land, construction in progress, and vehicles and equipment costing \$500 or more are capitalized and recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water system and the improvements and 5 to 15 years for vehicles and equipment. Depreciation expense for the year ended December 31, 2018 was \$74,689.

D. INCOME TAX STATUS

Southwest Ouachita Waterworks, Inc., is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements (Continued)

The water system's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they are filed.

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2018:

Total interest cost expensed	\$10,780
Total interest cost capitalized	<u>68,214</u>
Total interest costs incurred	<u>\$78,994</u>

G. FUNCTIONAL ALLOCATION OF EXPENSES

Southwest Ouachita Waterworks, Inc.'s only activity is to provide water service to its members. All costs incurred by Southwest Ouachita Waterworks, Inc., are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2018, Southwest Ouachita Waterworks, Inc. had cash as follows:

Cash on hand	\$900
Non-interest-bearing checking accounts	1,042,763
Interest-bearing checking accounts	<u>226,587</u>
Total	<u>\$1,270,250</u>

Cash (bank balances) in the amount of \$1,426,038, at December 31, 2018 were not fully secured by FDIC insurance. The amount of uninsured deposits at year end were \$699,450.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana
Notes to the Financial Statements

3. RECEIVABLES

Receivables at December 31, 2018 consist of the following:

Water sales	\$222,493
Less - allowance for uncollectible accounts	<u>(8,500)</u>
Net	<u>\$213,993</u>

For the year ended December 31, 2018, the total amount billed for water services was \$1,845,418 with an average monthly billing per customer of \$43.48. The water system had 3390 active customers at December 31, 2018. Residential and small business customers are billed \$20 for the first 2,000 gallons of water used plus \$7.50 per thousand gallons for 3,000 to 15,000 gallons and \$8.50 per thousand gallons above 15,000 gallons. Commercial customers are billed \$100 for the first 10,000 gallons of water used plus \$8.50 per thousand gallons for consumption over 10,000 gallons. New customers are charged a \$60 or \$100 refundable meter deposit fee and a \$625 meter installation fee. Customers are charged a \$40 reconnect fee when service is disconnected for nonpayment.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual restrictions or board designations within one year of the balance sheet date:

Financial assets at December 31, 2018	\$1,484,243
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Customer meter deposits	(106,820)
Debt service	(204,725)
Contingencies	(100,000)
Construction	(101)
Board designations:	
Vehicle Fund	(57,727)
Debt service	(553,952)
Capital additions and contingencies	<u>(191,231)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$269,687</u>

In addition to the above amounts, the water system has an available line of credit in the amount of \$250,000 from Chase Bank to be used to meet general expenditures.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana
Notes to the Financial Statements

5. CAPITAL ASSETS

A summary of capital assets at December 31, 2018 follows:

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Capital assets not being depreciated:				
Land	\$63,320			\$63,320
Construction in progress	3,293,554	\$818,651	(\$206,098)	3,906,107
Total assets not being depreciated	<u>3,356,874</u>	<u>818,651</u>	<u>(206,098)</u>	<u>3,969,427</u>
Capital assets being depreciated:				
Water system	4,889,881	206,098		5,095,979
Vehicles and equipment	223,539	2,400		225,939
Total capital assets being depreciated	<u>5,113,420</u>	<u>208,498</u>	<u>NONE</u>	<u>5,321,918</u>
Less accumulated depreciation for:				
Water system	3,961,979	61,485		4,023,464
Vehicles and equipment	130,055	13,204		143,259
Total accumulated depreciation	<u>4,092,034</u>	<u>74,689</u>	<u>NONE</u>	<u>4,166,723</u>
Total assets being depreciated, net	<u>1,021,386</u>	<u>133,809</u>	<u>NONE</u>	<u>1,155,195</u>
Total assets	<u><u>\$4,378,260</u></u>	<u><u>\$952,460</u></u>	<u><u>(\$206,098)</u></u>	<u><u>\$5,124,622</u></u>

The additions to capital assets for the year were costs related to construction in progress for three separate projects and the purchase of equipment.

6. LOANS PAYABLE

On November 15, 2010, Southwest Ouachita Waterworks, Inc., obtained a \$2,740,959 loan from Chase Bank to payoff the remaining principal and interest due on a loan dated September 4, 2008 obtained from Ouachita Independent Bank (OIB) that was used to upgrade the water system. This loan was paid in full on June 18, 2018.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

On August 23, 2012, Southwest Ouachita Waterworks, Inc., entered into an agreement with the State of Louisiana Department of Transportation and Development (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the water system's water lines that were located within the limits of a road construction project on LA 3033. The agreement provided for an estimated project cost of \$119,705 to be funded by the state through a URAF loan. The actual cost of the project was \$81,396. During 2013, the water system was reimbursed for the total cost of the project through a URAF loan. The agreement with DOTD provides that Southwest Ouachita Waterworks, Inc., will repay the URAF funds in a lump sum when billed by DOTD. The agreement also allows Southwest Ouachita Waterworks, Inc., to request to repay in partial payments, in exchange for goods or services or any combination thereof. The request for repayment in a method other than lump sum must be submitted in writing to DOTD within 90 days from billing.

In November 2017, Southwest Ouachita Waterworks, Inc., was billed by DOTD for \$56,977 with an option to pay the minimum amount of \$8,139. The water system paid the minimum amount due on January 9, 2018.

On November 1, 2016, Southwest Ouachita Waterworks, Inc., entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) by signing a promissory note for \$3,666,000 to make improvements to its water system. On July 1, 2018, the loan agreement with LDH was amended to increase the total loan amount to \$4,666,000. LDH gave \$500,000 principal forgiveness on the original loan so the maximum amount of principal repayment will be \$4,166,000. The note bears interest at 1.95%, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2018. Southwest Ouachita Waterworks, Inc., also pays a .50% administrative fee to LDH on the outstanding principal amount of the note, payable on each interest payment date. The principal will be repaid in 20 annual installments beginning November 1, 2018. The loan is secured by a security interest in properties owned by the water system.

The following is a summary of loans payable transactions for the year ended December 31, 2018:

	Chase Bank Loan	URAF Loan	LDH DWRLF Loan	Total
Loans payable at January 1, 2018	\$566,249	\$56,977	\$2,462,299	\$3,085,525
Additions			850,178	850,178
Reductions	(566,249)	(8,139)	(124,000)	(698,388)
Loans payable at December 31, 2018	<u>NONE</u>	<u>\$48,838</u>	<u>\$3,188,477</u>	<u>\$3,237,315</u>

SOUTHWEST OUACHITA WATERWORKS, INC.
 West Monroe, Louisiana
 Notes to the Financial Statements

The annual requirements to amortize the URAF and LDH DWRLF loans can not be determined at December 31, 2018.

7. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 6 above, approximately 98% of the water system's debt is with Louisiana Department of Health. The collateral for this debt is described in Note 6.

8. LOAN AGREEMENT RESERVE REQUIREMENTS

The loan agreement with Louisiana Department of Health DWRLF requires that the water system establish and maintain the following bank accounts:

	Amount Required by Loan Agreement	Balance at December 31, 2018
Construction Loan Fund - receiving and disbursing loan proceeds.	\$101	\$101
Debt Service Fund - payment of semi-annual debt service payments; must transfer 1/12 of each year's debt service into this fund on a monthly basis.	103,438	532,089
Debt Service Reserve Fund - to provide funds to pay debt service that would otherwise be in default.	101,287	226,587
Capital Additions and Contingencies Fund - to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system.	<u>100,000</u>	<u>291,231</u>
Total	<u>\$304,826</u>	<u>\$1,050,008</u>

9. CONTINGENCIES

Southwest Ouachita Waterworks, Inc., was involved in one lawsuit at December 31, 2018 that alleges physical and property damage as result of consuming water produced by the water system. It is the opinion of the water system's attorney that the costs of any physical or property damages cannot be estimated at this time; therefore no liability for the alleged damages has been reported in the accompanying financial

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana
Notes to the Financial Statements

statements. The water system was also named in another lawsuit that involves hundreds of water systems throughout Louisiana. An employee of a company that was under contract with the water system is claiming damages from working at the jobsites identified in the lawsuit. The water system's insurance carrier is handling the defense for the water system.

On February 20, 2018, the Louisiana Department of Health (LDH) issued an administrative order citing Southwest Ouachita Waterworks, Inc., with certain violations of state drinking water regulations during the period January 1, 2012 through December 31, 2017, and ordered the water system to take certain remedial actions to comply with all applicable state rules, regulations, and standards. State law provides that if the water system fails to comply with any provision of the administrative order, LDH may assess a penalty up to a maximum of \$3,000 per day, for each day the water system is not in compliance. Additionally, if LDH finds it necessary to refer the matter for civil action, the court may impose a civil penalty not to exceed \$3,000 per day for each day of violation and for each act of violation. The water system's engineer has responded to the order that the water system improvements financed by the Drinking Water Revolving Loan Fund (DWRLF) is specifically for remediation of cited violations.

During the year ended December 31, 2018, the water system expended \$691,236 in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health, Office of Public Health. These expenses are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

10. COMMITMENTS UNDER CONTRACTS

In October 2018, the water system awarded a construction contract in the amount of \$1,045,485 to Peck Construction, Inc., in connection with its 2015-2018 water system improvement project that is being financed in part with a loan from the Louisiana Department of Health Drinking Water Revolving Loan Fund discussed in Note 6 above. The water system also had a commitment under an engineering and consultant contract for a total of \$514,400 in connection with its 2015-2018 water system improvement project. As of December 31, 2018, no amounts have been paid to Peck Construction, Inc., and the balance remaining to be paid under the engineering/consulting contract was \$56,800. At December 31, 2018, the remaining loan funds to be requested by the water system is \$853,523.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Notes to the Financial Statements

11. SUBSEQUENT EVENTS

Southwest Ouachita Waterworks, Inc., has evaluated subsequent events through February 28, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Supplemental Information
As of and For the Year Ended December 31, 2018

**COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented in compliance with Act 706 of the 2015 Session.

SCHEDULE OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

SCHEDULE OF INSURANCE POLICES IN FORCE

The Schedule of Insurance Policies in force is presented in compliance with the loan agreements with the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

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

BOARD COMPENSATION

Agency Head - Walter Kelley - President (January 2018 - October 2018)	\$3,000
Agency Head - Brian Ray - President (November 2018 - December 2018)	\$2,500

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, LouisianaSchedule of Prior Year Findings
For the Year Ended December 31, 2018

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of Finding</u>
2017-001	2005	Inadequate Segregation of Accounting Duties	Unresolved - see 2018-001 in current year findings.
2017-002	2007	Inadequate Controls Over Preparation of Annual Financial Statements	Resolved.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Insurance Policies in Force (Unaudited)
For the Year Ended December 31, 2018

Insurer	Amount of Coverage	Risks Covered	In Effect
Allied World Assurance Company	\$25,000 - \$4,025,830	Property	01/15/2018 - 01/15/2019
Allied World Assurance Company	\$1,000,000 - \$3,000,000	General Liability	01/15/2018 - 01/15/2019
Allied World Assurance Company	\$5,000- \$100,000	Commercial Crime	01/15/2018 - 01/15/2019
Allied World Assurance Company	\$1,000,000 - \$3,000,000	Public Officials and Management Liability	01/15/2018 - 01/15/2019
Allied World Assurance Company	\$1,000,000	Commercial Excess Liability	01/15/2018 - 01/15/2019
Allied World Assurance Company	\$50,000 - \$1,000,000	Business Auto	01/15/2018 - 01/15/2019
Louisiana Workers' Compensation Corporation	\$1,000,000	Workers Compensation	04/16/2018 - 04/16/2019

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated February 28, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting (internal control) 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 Southwest Ouachita Waterworks, Inc.'s internal control. Accordingly, I do not express an opinion of the effectiveness of Southwest Ouachita Waterworks, Inc.'s internal control.

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 entity's financial statements will not be prevented, or detected and corrected 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.

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2018

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2018-001 that I consider to be a material weakness.

Compliance and Other Matters

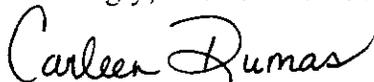
As part of obtaining reasonable assurance about whether, Southwest Ouachita Waterworks Inc.'s financial statements are free from material misstatement, I performed tests of the water system's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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*.

Southwest Ouachita Waterworks, Inc.'s Response to Findings

Southwest Ouachita Waterworks, Inc.'s response to the finding identified in my audit is described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Southwest Ouachita Waterworks, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 water system'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 water system's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana
February 28, 2019

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

2018-001. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The accounting duties of collecting, depositing, and posting customer payments to customers accounts may be performed by any of the office employees.

Cause: Small size of the water system.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

**Management's Response
and Corrective Action Plan:**

It is not economically feasible to correct this deficiency based on the size of the water system.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

LOUISIANA LEGISLATIVE AUDITOR

I have performed the procedures enumerated below, which were agreed to by Southwest Ouachita Waterworks, Inc. (non-profit corporation) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. Southwest Ouachita Waterworks, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

This category is excluded from testing because Southwest Ouachita Waterworks, Inc., did not have any exceptions in this category in the prior year.

Board (or Finance Committee, if applicable)

This category is excluded from testing because Southwest Ouachita Waterworks, Inc., did not have any exceptions in this category in the prior year.

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
Applying Agreed-Upon Procedures
December 31, 2018

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 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and bank reconciliation for each selected account, and observe that:

The public funds received were accounted for in a separate bank account and were not comingled with other funds. Management provided a representation that the listing is complete.

- 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);

The selected bank reconciliation included evidence that it was prepared within 2 months of the related statement closing date.

- 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

The selected bank reconciliation was not reviewed by someone with no involvement in the transactions associated with the bank account.

- 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.

There were no reconciling items on the selected bank reconciliation that had been outstanding for more than 12 months from the statement closing date.

Management's Response: Effective immediately, a board member will review and initial the bank reconciliation for the bank account that is used to account for the public funds.

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Collections

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2018.

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

This category is excluded from testing because Southwest Ouachita Waterworks, Inc., did not have any exceptions in this category in the prior year.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2018.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2018.

Contracts

This category is excluded from testing because Southwest Ouachita Waterworks, Inc., did not have any exceptions in this category in the prior year.

Payroll and Personnel

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2018.

Ethics

Does not apply to Southwest Ouachita Waterworks, Inc., a non-profit corporation.

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West Monroe, Louisiana
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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.

There were no bonds/notes issued during the year ended December 31, 2018.

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 balances and payments to those required by the debt covenants.

The balances at December 31, 2018, and payments made during the year ended December 31, 2018, to the reserve accounts required by the loan agreement for the Louisiana Department of Health Drinking Water Revolving Loan Fund were in accordance with the requirements of the loan agreement.

Other

23. Obtain a listing of misappropriations of public funds or 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.

Management provided a representation that there were no misappropriations during the fiscal period.

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.

I observed the required notice posted at Southwest Ouachita Waterworks, Inc.'s premises and on its website.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
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December 31, 2018

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Calhoun, Louisiana
February 27, 2019