

**Water Works District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)**

Annual Financial Report

**As of and for the year ended
June 30, 2017**

W. Kathleen Beard, CPA, LLC
10191 Bueche Rd.
Bueche, LA 70729

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Annual Financial Statements
As of and for the year ended June 30, 2017

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Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Members of the Board of Directors
Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, Louisiana

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities of Waterworks District No. 1 of the Parish of Avoyelles (A Component Unit of the Avoyelles Parish Police Jury) as of and for the year ended June 30, 2017, 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 opinions 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 basic 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 opinions.

Opinions

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Waterworks District No. 1 of the Parish of Avoyelles as of June 30, 2017, and the respective changes in financial position thereof 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 management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 Information

My audit was conducted for the purpose of forming opinions that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head or Chief Executive Officer and the schedule of expenditures of federal awards are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic 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 directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits and other payments and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Current Water Rates and Listing of Insurance in Force presented on pages 20 and 21 included in the additional information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated December 28, 2017, on my consideration of the District's internal control over financial reporting and 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 the 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 the Waterworks District No. 1 of Avoyelles Parish's internal control over financial reporting and compliance..

W. Kathleen Beard

Certified Public Accountant
Bueche, LA
December 28, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, Louisiana**

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Waterworks District No. 1 of Avoyelles Parish, Louisiana's financial performance provides an overview of Waterworks District No. 1's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's basic financial statements.

Financial Highlights

The assets of the District exceeded its liabilities at June 30, 2017 by \$1,653,032 (net position). Of this amount \$693,347 was unrestricted and may be used to meet the District's ongoing obligations. Net position increased by \$239,565 for fiscal year ended June 30, 2017.

Overview of the Financial Statements

The annual report consists of three parts: Management discussion and analysis, basic financial statements and supplementary information. The basic financial statements present information for the District and is designed to make the statements easier to understand. The basic financial statements consist of the fund financial statements and notes to the financial statements.

**Table 1
Net Position**

	2017	2016
Current and other assets	\$ 994,280	\$1,054,035
Capital assets	<u>1,954,699</u>	<u>1,234,210</u>
Total Assets	2,948,979	2,288,245
Long term outstanding debt	1,181,767	443,183
Other liabilities	<u>114,180</u>	<u>431,595</u>
Total Liabilities	<u>1,295,947</u>	<u>874,778</u>
Net Position		
Invested in capital assets, net of related debt	759,499	452,460
Restricted for water revenue bond funds	200,186	200,186
Unrestricted	<u>693,347</u>	<u>760,821</u>
Total Net Position	<u>\$1,653,032</u>	<u>\$ 1,413,467</u>

Net position is comprised of assets restricted as to the purposes they can be used for, or, are invested in capital assets (buildings, water equipment, etc.). Unrestricted net position is those assets that do not have any limitations for which these amounts may be used.

**Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, Louisiana**

Management's Discussion and Analysis (Unaudited) (Continued)

**Table 2
Changes in Net Position**

	2017	2016
<u>Revenue</u>		
Operating -		
Charges for services	\$ 445,123	\$ 439,352
Non-operating -		
Capital contribution – DWRLF	218,030	291,506
Gain from sale of capital assets	-0-	-0-
Interest revenue	2,079	2,291
Total revenue	665,232	733,149
 <u>Expenses</u>		
Operating	422,447	390,765
Non-operating –		
Bond issuance costs	-0-	29,216
Interest expense	3,220	-0-
Total expenses	425,667	419,981
 Change in Net Position	 239,564	 313,168
 Beginning Net Position	 1,413,468	 1,100,300
 Ending Net Position	 \$1,653,032	 \$ 1,413,468

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$1,954,699 invested in capital assets, including buildings, water wells, tanks and lines, and equipment, net of accumulated depreciation. There were \$799,456 in additions to capital assets and \$390 in dispositions of capital assets during the year ended June 30, 2017.

**Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, Louisiana**

Management's Discussion and Analysis (Unaudited) (Continued)

Debt Administration

On August 4, 2015, the District adopted a resolution to issue up to \$2,100,000 in revenue bonds and on December 1, 2015, the District entered into a loan and pledge agreement through the Drinking Water Revolving Loan Fund with the Louisiana Department of Health and Hospitals for the issuance of up to \$2,100,000 in taxable Water Revenue Bonds, Series 2015. Not less than 20%, and up to 30%, of the funds available are eligible for a form of forgiveness of principal.

The proceeds of these bonds are being used for system improvements, including the construction of a new well, automated meter readers and controls, pump building, and other enhancements to the production, treatment, and distribution of water.

The District had outstanding indebtedness at June 30, 2017 of \$1,181,767, of which \$1,055,121 was drawn on the loan during the year ended June 30, 2017.

Contacting the District's Management

This financial report is designed to provide our customers, citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Avoyelles Waterworks District No.1's office in Bordelonville, Louisiana.

BASIC FINANCIAL STATEMENTS

Water Works District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Statement of Net Position
June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	428,059
Investments in Certificates of Deposit		198,351
Accounts receivable - Customers		50,741
Due from other governmental agencies		3,064
Inventory		21,088
Prepaid insurance		11,266
Cylinder deposit		1,000
Total Current Assets		713,569

NONCURRENT ASSETS

Restricted Assets -		
Cash and cash equivalents:		
Water customer deposits		54,449
Water revenue bond accounts		200,186
Investments in Certificates of Deposit:		
Water customer deposits		26,076
Total Restricted Assets		280,711
Capital Assets -		
Nondepreciable		31,720
Depreciable (net of accumulated depreciation)		1,922,979
Total Capital Assets		1,954,699
Total Noncurrent Assets		2,235,410

TOTAL ASSETS	\$	2,948,979
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(Continued)

The accompanying notes to the financial statements are an integral part of this statement.

**Water Works District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Statement of Net Position
June 30, 2017**

LIABILITIES AND NET POSITION

LIABILITIES

Payable from Current Assets:

Accounts payable	\$	16,216
Accrued payroll expenses		6,484
Accrued compensated absences payable		7,735
Accrued interest payable		3,220
Total Payable from Current Assets		33,655

Payable from Restricted Assets:

Customer deposits		80,525
Total Payable from Restricted Assets		80,525

Long-term liabilities:

Portion due in one year		38,000
Due in more than one year		1,143,767
Total Long-term Liabilities		1,181,767

Total Liabilities		1,295,947
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NET POSITION

Net investment in capital assets		759,499
Restricted for water revenue bond funds		200,186
Unrestricted		693,347
		1,653,032

TOTAL NET POSITION	\$	1,653,032
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The accompanying notes to the financial statements are an integral part of this statement.

**Water Works District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2017**

OPERATING REVENUES

Charges for services	
Water sales	\$ 423,903
Late charges	10,784
Reconnect fees	725
Tap fees	7,026
Miscellaneous	2,685
	445,123
 Total operating revenues	 445,123

OPERATING EXPENSES

Water purchases	5,654
Salaries and benefits	174,099
Repairs, maintenance, testing, chemicals, parts and supplies	43,089
Fuel	8,208
Utilities	59,442
Insurance	15,588
Board fees	2,000
Professional fees	12,600
Office supplies, postage, bank charges, printing, publishing	14,761
Communications	5,468
Travel	849
Miscellaneous	1,421
Rent	300
Depreciation	78,966
Total Operating Expenses	422,447

INCOME FROM OPERATIONS 22,676

NON-OPERATING REVENUES (EXPENSES)

Interest revenue	2,079
Interest expense	(3,220)
Total Non-operating Revenues (Expenses)	(1,141)

CAPITAL CONTRIBUTIONS

Contributions in aid of construction - DWRLF	218,030
Total Capital Contributions	218,030

INCREASE/(DECREASE) IN NET POSITION 239,564

NET POSITION AT BEGINNING OF YEAR 1,413,467

NET POSITION AT END OF YEAR \$ 1,653,032

The accompanying notes to the financial statements are an integral part of this statement.

Water Works District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Statement of Cash Flows
For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 449,486
Cash payments to suppliers for goods and services	(172,877)
Cash payments to employees for services	(172,393)
Net Cash Provided by (Used for) Operating Activities	104,216

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(1,127,810)
Proceeds from Loan	1,055,121
Bond interest expense	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(72,689)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	2,079
(Increase)/Decrease in Certificates of Deposit (Capitalized Interest)	(989)
Net Cash Provided by (Used for) Investing Activities	1,090

INCREASE (DECREASE) IN CASH

32,618

Cash and Cash Equivalents, Beginning of Year

650,076

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 682,694

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

Cash and Cash Equivalents - Unrestricted

\$ 399,903

Cash and Cash Equivalents - Restricted

250,173

\$ 650,076

CASH AND CASH EQUIVALENTS, END OF YEAR

Cash and Cash Equivalents - Unrestricted

\$ 428,059

Cash and Cash Equivalents - Restricted

254,635

\$ 682,694

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Income/(loss) from operations	\$ 22,676
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	78,966
Net Change in Assets and Liabilities -	
(Increase) Decrease in accounts receivable	(99)
(Increase) Decrease in inventory	(5,004)
(Increase) Decrease in prepaid expense	(41)
Increase (Decrease) in accounts payable and accrued expenses	1,550
Increase (Decrease) in accrued salaries and compensated absences	1,706
Increase (Decrease) in customer security deposits	4,462
Total Adjustments	2,574
Net cash provided by (used for) operating activities	\$ 104,216

The accompanying notes to the financial statements are an integral part of this statement.

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017

Introduction

Waterworks District No. 1 of the Parish of Avoyelles was created on February 5, 1969 by the Avoyelles Parish Police Jury. The "District" operates under a president-board form of government whose appointments are made by the Avoyelles Parish Police Jury. The District serves 1,599 customers.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations).

B. Reporting Entity

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes: (1) appointing a voting majority of an organization's governing body, and the ability of the police jury to impose its will on that organization, and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury; (2) organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury; and (3) organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Avoyelles Parish Police Jury appoints the governing board and because of the scope of public service, the District is deemed to be a component unit of the Avoyelles Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. Basic Financial Statements – Fund Financial Statements

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Waterworks District No. 1 of Avoyelles Parish reports a single proprietary fund.

The District is organized and operated on the basis of funds whereby a separate self - balancing set of accounts (Enterprise Fund) is maintained that comprise its assets, liabilities, fund equity, revenue and expense. The operations are financed and operated in a manner similar to a private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is used to account for water services provided to the residents and businesses within the District.

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash on hand and all restricted and unrestricted cash in banks (demand deposits, interest-bearing demand deposits and money market accounts) and highly liquid investments, having a maturity of three months or less when purchased are considered to be cash equivalents.

F. Investments

State law allows the District to invest in any direct obligation of the United States Treasury; other debt issued or guaranteed by the full faith and credit of the United States; certificates of deposit of any bank in Louisiana; mutual funds which are registered with the Securities and Exchange Commission and invest in securities of the U. S. government or its agencies; guaranteed investment contracts issued by banks or insurance companies or investment grade commercial paper of domestic U. S. corporations. Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are statement at cost.

G. Receivables

Customer accounts receivable are reported at gross, the direct write-off method is used to record bad debts, therefore, an allowance for uncollectible accounts is not maintained. Use of this method does not materially differ from the allowance method.

H. Inventories and prepaid expenses

Inventories consist of parts and materials and are recorded as an expense when consumed. Inventories are valued at the lower of cost, utilizing the first in - first out method of valuation. Certain payments to vendors represent payments for future periods and are therefore reported as prepaid expense.

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017

I. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

Certain proceeds are classified as restricted assets on the Statement of Net Position because applicable laws and regulations limit their use. Restricted assets of the proprietary fund include:

- 1) Meter funds are used to account for customers' meter deposits received from and returned to customers.
- 2) Capital Projects Construction Fund is used to account for bond proceeds to be expended for construction, improvements, and expansions to the waterworks system and as otherwise provided in the bond resolution.
- 3) Water Revenue Bond Sinking Funds (Debt Service Fund) is established sufficient in amount to pay promptly and fully the principal and interest on the Bonds in a manner provided by the Bond Resolution. Transfers are made monthly from the water district operating account (Revenue Fund) under a formula provided by the bond covenants.
- 4) Water Revenue Bond Reserve Fund is to be funded monthly with a sum equal to twenty five percent (25%) of the amount to be paid into the Sinking Fund with respect to the Bonds, the payments to continue until such time as there have accumulated in the account a sum equal to the Reserve Fund Requirement. Moneys in the account shall be used only to make payments solely on the Bonds as to which there would otherwise be default.
- 5) Water Revenue Bond Depreciation and Contingencies Fund is established to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring funds in the Revenue Fund after making payments required by (2), (3) and (4) above to the Contingencies Fund monthly, the amount equal to a sum of five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available, until there has been accumulated a sum of one hundred thousand dollars (\$100,000), whereupon payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of one hundred thousand dollars (\$100,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the contingencies Fund may also be used to pay the principal of and the interest on Bonds for the payment of which there is not sufficient money the Debt Service Fund and Reserve Fund, unless use of said money will leave in Contingencies Fund for the making of emergency repairs or replacements less than the sum of fifteen thousand dollars (\$15,000). The Contingency Fund is currently at its maximum of \$100,000.

J. Capital Assets

The cost of property, plant and equipment, including significant betterments to existing facilities and infrastructure is recorded in the enterprise fund on its balance sheet. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible capital assets are charged as an expense against operations and has been computed under the straight - line method based on the estimated useful lives of the individual assets. Estimated useful lives are as follows:

Distribution system	50 years
Storage tanks	40 years
Pumping stations and buildings	20 years
Other Equipment	3 -10 years
Software	5 years

All capital assets are stated at historical cost. Donated assets are valued at their estimated fair value on the date donated. For the fiscal year ended June 30, 2017, there was \$27,248 of interest charges capitalized on capital assets acquired or constructed.

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017

K. Compensated Absences

The District has adopted a policy for paid vacation and sick leave for all full time employees. Employees with 1 – 5 years of service are granted 14 days annual leave; employees with over 5 years of service are granted 14 days annual leave plus 1 day for each additional year of service to a maximum of 25 days. Unused vacation leave is lost at the end of the calendar year. Employees hired before June 30, 1996 are allowed to carry forward any unused vacation leave as of that date, however, vacation leave earned after that date is non-cumulative. Sick leave may be accumulated indefinitely. At June 30, 2017, the amount of unused paid leave is reported in these financial statements.

L. Defining Operating Revenues and Expenses

The District distinguishes between operating and non-operating revenues and expenses - operating revenues and expenses of the District consist of charges for services (including tap fees) and the costs of providing those services, including depreciation and excluding interest cost. All other revenue and expenses are reported as non-operating.

M. Fund Equity

Proprietary fund net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position --consist of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted---all other net position is reported in this category.

The District restricts use of restricted funds for the purpose of the restriction.

N. Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position

In December 2010, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has no items that qualify for reporting in this category.

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017

2. Cash and cash equivalents and Certificates of Deposit

At June 30, 2017, the District had cash and equivalents (book balances) totaling \$682,694, detailed as follows:

	Unrestricted	Restricted	Total
Petty cash and change funds	\$ 500	\$ -	\$ 500
Demand deposits	31,422	254,635	286,057
Money market account	396,137	-	396,137
	<u>\$ 428,059</u>	<u>\$ 254,635</u>	<u>\$ 682,694</u>

Certificates of deposit

The District may invest in United States bonds, treasury notes, or certificates of deposit at state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, an investment stipulated in Louisiana Revised Statute 39:1271, or any other federally insured investment

At June 30, 2017, the District had certificates of deposit totaling \$224,427, as follows:

	Unrestricted	Restricted	Total
Certificates of Deposit	\$ 198,351	\$ 26,076	\$ 224,427

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. There were no uncollateralized bank balances at June 30, 2017.

3. Accounts Receivable

At June 30, 2017 accounts receivable from customers is comprised of the following:

Current	\$ 26,507
31-60	599
61-90	10
Over 90	<u>2,027</u>
	29,143
Unbilled receivable	21,132
NSF checks	<u>467</u>
	<u>\$ 50,741</u>

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017**

4. Restricted Assets

Restricted asset activity for the year ended June 30, 2017 was as follows:

Account Name	Balances 07/01/16	Increases	Decreases	Balances 06/30/17
Meter Deposit Checking	\$ 49,987	\$ 10,268	\$ (5,806)	\$ 54,449
Meter Deposit Certificate of Deposits	26,076	-	-	26,076
Water Revenue Bond Sinking Fund	48,461	-	-	48,461
Water Revenue Bond Reserve Fund	51,725	-	-	51,725
Water Revenue Bond Depreciation & Contingency Fund	100,000	-	-	100,000
Totals	<u>\$ 276,249</u>	<u>\$ 10,268</u>	<u>\$ (5,806)</u>	<u>\$ 280,711</u>

5. Capital Assets -

The following is a summary of the capital asset activity for the year ended June 30, 2017:

	July 1, 2016	Additions	Deletions	June 30, 2017
Non-depreciable Assets -				
Land	\$ 31,720	\$ -	\$ -	\$ 31,720
Construction in Progress	945,037	751,971	(1,697,008)	0
	<u>76,757</u>	<u>751,971</u>	<u>(1,697,008)</u>	<u>31,720</u>
Depreciable Assets -				
Water System	1,038,501	1,697,008	-	2,735,509
Buildings	114,951	-	-	114,951
Equipment	118,581	47,485	-	166,066
Office Equipment	14,867	-	(390)	14,477
Total Depreciable	<u>1,286,900</u>	<u>1,744,493</u>	<u>(390)</u>	<u>3,031,003</u>
Total Capital Assets	2,263,657	2,496,464	(1,697,398)	3,062,723
Accumulated Depreciation -				
Water System	881,061	59,137	-	940,198
Buildings	40,233	2,874	-	43,107
Equipment	95,535	14,707	-	110,242
Office Equipment	12,618	2,249	(390)	14,478
Total Accum Depr	<u>1,029,447</u>	<u>78,967</u>	<u>(390)</u>	<u>1,108,024</u>
Capital Assets - Book Value	<u>\$ 1,234,210</u>			<u>\$ 1,954,699</u>

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017**

6. Long-Term Liabilities

Water Revenue Bonds – Series 2015

Long-term liability activity for the year ending June 30, 2017, is as follows:

Type of Debt	Balance at 7/1/2016	Additions	Deductions	Balance at 6/30/2017	Amounts Due In One Year
Water Revenue Bonds - Series 2015	\$ 443,183	\$ 1,055,121	\$ (316,536)	\$ 1,181,767	\$ 38,000
Totals	<u>\$ 443,183</u>	<u>\$ 1,055,121</u>	<u>\$ (316,536)</u>	<u>\$ 1,181,767</u>	<u>\$ 38,000</u>

The District issued Taxable Water Revenue Bond, Series 2015 through the Louisiana Department of Health and Hospitals Water Revolving Loan Fund Program in the amount not to exceed \$2,100,000 with a fixed interest rate of 2.95% and a administrative fee of .5%. The guidelines of this program forgives 30% of the principal amount of each draw up to the maximum amount of principal forgiveness of \$630,000. The proceeds from this bond issue are be used for the construction and acquisition of improvements to the System, specifically the construction and site preparation for a booster plant, water well and purchase and installation of radio read meters. At June 30, 2017, loan proceeds received totaled \$1,688,239 of which \$1,181,767 is reported as long-term liabilities due in scheduled increments by December 2036 and \$506,472 is reported as Contributions in Aid of Construction as loan forgiveness (See note 7). The cost of issuance was \$29,216 and is reported as bond issuance cost expense in the initial year (2016).

This Bond shall mature in twenty (20) installments of principal, payable annually on each December 1, and each annual installment shall be the applicable percentage shown in the following table, rounded to the nearest One Thousand Dollars (\$1,000) of the outstanding principal amount of this Bond of the day before the applicable Principal Payment Date

Date (December 1)	Percentage Of Principal	Date (December 1)	Percentage Of Principal
2017	3.554%	2027	8.544%
2018	3.812%	2028	9.664%
2019	4.100%	2029	11.067%
2020	4.423%	2030	12.874%
2021	4.787%	2031	15.286%
2022	5.202%	2032	18.667%
2023	5.676%	2033	23.743%
2024	6.226%	2034	32.209%
2025	6.868%	2035	49.152%
2026	7.629%	2036	100.000%

The initial principal payment is due December 1, 2017, in the amount of \$38,000. Interest is payable semi-annually on June 1 and December 1. Interest paid during the fiscal year ending June 30, 2017 was \$27,248, and is capitalized as part of the project cost.

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017**

7. Intergovernmental Receivable and Revenue

The District reported a receivable "Due from Louisiana Department of Health Hospitals of \$3,064 which represents 30% of loan proceeds forgiven related to accrued construction costs at year end. The District recognized a capital contribution in aid of construction of \$218,030 related to the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund forgiveness of 30% of total loan proceeds.

8. Net Position

In accordance with the terms of the security provisions and protective covenants for the Water Revenue Bonds – Series 2015, the District has restricted the following net position for debt service at June 30, 2017:

Debt service	\$ 48,461
Bond reserve	51,725
Contingencies	<u>100,000</u>
	<u>\$ 200,186</u>

Unrestricted Net Position

Balance, June 30, 2016	\$ 760,821
Increase/(Decrease)	<u>(67,474)</u>
Balance, June 30, 2017	<u>\$ 693,347</u>

9. Compensation Paid to Board Members

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the board of commissioners is as follows:

David Bordelon, President	\$ 340
Aloysia C. Ducote	390
James Armand	370
Peter Lemoine	500
Hayward Voiselle	<u>400</u>
 Total	 <u>\$ 2,000</u>

10. Pension Plan

Employees of the District are not covered under a State of Louisiana PERS plan. They are members of the social security retirement system.

**1,698 Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Notes to the Financial Statements
June 30, 2017**

11. Commitments and Contingencies

Construction Contracts -

The District is in the process of improving their water system, construction costs related to the project are expected to be \$2,100,000 and is financed by revenue bonds purchased by Louisiana Department of Health and Hospitals financed by the Drinking Water Revolving Fund (See Note 6). As of June 30, 2017, \$1,698,452 had been expended. The project is considered substantially complete as of June 30, 2017.

	Budget Amount	Change Orders	Revised Budget Amount	Cost through 6/30/2017	Remaining Amount
Booster Plant & Site Work	\$ 690,600	\$ -	\$ 690,600	\$ 589,162	\$ 101,438
Water Well	404,186	3,623	407,809	407,809	-
Radio Read Meters	454,389	(18,852)	435,537	335,100	100,437
Contingencies, Engineering and other costs	550,825	15,229	566,054	366,382	199,672
Totals	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 1,698,452</u>	<u>\$ 401,548</u>

Litigation and Claims - The District is the Defendant in a lawsuit related to the Radio Read Meter contract due to a contract dispute in which the contractor is seeking payment of \$54,197.60 for retainage payable and cost of meters ordered but not used. The District is also Plaintiff in a suit against the same contractor related to the Booster Plant & Site Work contract for non-performance of punch list items. The District's attorney expects the District to prevail in both suits.

Grants --

The Louisiana Department of Health and Hospitals purchase of the Water Revenue Bonds – Series 2015 was financed by the Drinking Water Revolving Loan Fund, a federal program operated through the United States Environmental Protection Agency (EPA), amounts received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Risk Management -

The District is exposed to various risks of loss for which the District purchases commercial insurance. The District maintains insurance policies to cover risks related to workers compensation, general liability, public officials errors and omissions, commercial property damage, and automobile coverage, including collision. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

12. Subsequent Events

Subsequent events were evaluated through December 28, 2017 which is the date the financial statements were available to be issued. See note 11 regarding litigation related to construction contracts.

OTHER INFORMATION

**Water Works District No. 1 of the Parish of Avoyelles
 (A Component Unit of the Avoyelles Parish Police Jury)
 Bordelonville, Louisiana
 Schedule of Compensation, Benefits and Other Payments
 to Agency Head or Chief Executive Officer
 For the Year ended June 30, 2017**

Agency Head Name: David Bordelon, President

	Amount
Purpose:	
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Social security and medicare employer contributions	-
Car allowance	-
Vehicle provided by government	-
Per diem	340
Reimbursements	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-
	\$ 340

See Independent Auditor's Report

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Schedule of Current Water Rates (Unaudited)
Year Ended June 30, 2017**

The District currently has the following rate structures:

Residential

0 to 2000 gallons
over 2000 gallons

\$ 18/month
plus \$3/1000 gallons

See Independent Auditor's Report

Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Bordelonville, Louisiana
Listing of Insurance in Force (Unaudited)
Year Ended June 30, 2017

Per bond reporting requirements, the following insurance policies are in force at June 30, 2016

The District has insurance through Allied World Speciality Insurance Co. through May 17, 2017 for the following Coverages:

Coverages:

Property

	Coverage Amount
Real property & business personal property	\$ 1,288,400
Coverage extension blanket limit	500,000
Mobile equipment	176,250

Commercial crime

Employee theft (per occurrence)	500,000
Forgery or alteration (per occurrence)	250,000
Inside the premises (theft of money & securities) (per occurrence)	250,000
Inside the Premises (robbery/safe burglary) (per occurrence)	5,000
Outside the premises (per occurrence)	250,000
Computer fraud (per occurrence)	100,000
Fund transfer fraud (per occurrence)	50,000
Money orders (per occurrence)	100,000

Commercial General Liability

Bodily injury, property damage & medical expenses	3,000,000
Products/completed operations	3,000,000
Personal and advertising injury	1,000,000
Damage to premises rent to you (any one premises)	1,000,000
Medical expenses (any one person)	10,000

Public Officials and Management Liability

Wrongful acts (each wrongful act)	1,000,000
Employment practices (each offense)	1,000,000
Employee benefit plans (each offense)	1,000,000

Business auto coverage

Liability (1 auto)	1,000,000
Auto medical payments	5,000
Uninsured motorist	1,000,000

The District has a workers compensation and employees liability insurance through Bridgefield Casualty Insurance Company through October 5, 2016

Coverages:

	Coverage Amount
Bodily injury by accidend (each accident)	100,000
Bodily injury by disease (each employee)	100,000
Bodily injury by disease (policy limit)	500,000

See Independent Auditor's report

REPORTS REQUIRED BY GOVERNMENT STANDARDS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, 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 business-type activities of Waterworks District No. 1 of the Parish of Avoyelles (the "District"), a component unit of the Avoyelles Parish Police Jury, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued my report thereon dated December 28, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District'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 opinions 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employee, 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.

My consideration of internal control over financial reporting 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. 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 the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

W. Kathleen Beard

Certified Public Accountant
Bueche, Louisiana
December 28, 2017

REPORTS REQUIRED BY UNIFORM GUIDANCE

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Members of the Board of Directors
Waterworks District No. 1 of the Parish of Avoyelles
Bordelonville, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Waterworks District No. 1 of the Parish of Avoyelles' major federal programs for the year ended June 30, 2017. Waterworks District No. 1 of the Parish of Avoyelles' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Waterworks District No. 1 of the Parish of Avoyelles' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Waterworks District No. 1 of the Parish of Avoyelles' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Waterworks District No. 1 of the Parish of Avoyelles' compliance.

Opinion on Each Major Federal Program

In my opinion, the Waterworks District No. 1 of the Parish of Avoyelles' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Waterworks District No. 1 of the Parish of Avoyelles', is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, I considered the Waterworks District No. 1 of the Parish of Avoyelles' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Waterworks District No. 1 of the Parish of Avoyelles' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W. Kathleen Beard

Certified Public Accountant
Bueche, Louisiana
December 28, 2017

Waterworks District No. 1 of the Parish of Avoyelles
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

Federal Grantor				
Pass - through Grantor				
<u>Program Title</u>	CFDA		Award	Federal
	Number		Amount	Expenditures
U. S. Environmental Protection Agency pass - through program from:				
Louisiana Department of Health and Hospitals				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$	2,100,000	\$ 793,014
				\$ 793,014

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Waterworks District No. 1 of the Parish of Avoyelles under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with requirements of *Title 2 U. S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and, Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterworks District No. 1 of the Parish of Avoyelles it is not intended to and does not present the financial position, changes in net position, or cash flows of Waterworks District No. 1 of the parish of Avoyelles.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200Subpart E - Cost Principles, wherein certain types of expenditures are not allowable.

Note C - Reconciliation to Financial Statements

Federal awards are reported in Waterworks District No. 1 of the Parish of Avoyelles financial statements as follows:

Capitalization Grants for Drinking Water State Revolving Funds:

Engineering fees payable	\$ 10,213
Water Revenue Bonds Proceeds	1,055,121
FYE 6/30/16 contracts payable	(272,319)
Total Current Year Loan Proceeds Expended	\$ 793,014

Note D - Subrecipients

There were no subrecipients.

See Independent Auditor's Report

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Schedule of Findings and Questioned Costs
For the Year Ending June 30, 2017**

I have audited the basic financial statements of Waterworks District No. 1 of the Parish of Avoyelles, as of and for the ended June 30, 2017, and have issued my report thereon dated December 28, 2017. 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. My audit of the financial statements as of June 30, 2017 resulted in unmodified opinions.

Section I. Summary of Auditor's Reports

Financial Statements

Type of auditor's report issued: Unmodified

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:			
Material weaknesses identified?	___	Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	__	Yes	<u>X</u> No
Noncompliance:			
Noncompliance material to the financial statements	__	Yes	<u>X</u> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:			
Material weaknesses identified?	__	Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	__	Yes	<u>X</u> No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	__	Yes	<u>X</u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Waterworks District No. 1 of the Parish of Avoyelles was determined to be a low-risk auditee.

**Waterworks District No. 1 of the Parish of Avoyelles
(A Component Unit of the Avoyelles Parish Police Jury)
Schedule of Prior Year Audit Findings
For the Year Ending June 30, 2017**

A. Internal Control and Compliance Material to the Financial Statements

There were no findings.

B. Management Letter

No management letter was issued.

**INDEPENDENT ACCOUNT'S REPORT ON
STATEWIDE AGREED UPON PROCEDURES**

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Members of the Board of Directors
Waterworks District No. 1 of the Parish of Avoyelles
and the Louisiana Legislative Auditor

I have performed the procedures described in Schedule 2, which were agreed to by Waterworks District No. 1 of the Parish of Avoyelles (the District) 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 July 1, 2016 through June 30, 2017. The District's management is responsible for those C/C 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*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we 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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
The District has no written policies and procedures related to budgeting
 - 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.
The District has no written policies and procedures related to purchasing.
 - c) **Disbursements**, including processing, reviewing, and approving
The District has no written policies and procedures related to disbursements.
 - d) **Receipts**, including receiving, recording, and preparing deposits
The District has no written policies and procedures related to receipts.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The District has no written personnel policies and procedures only a "employees manual" that does not address payroll processing and reviewing and approving time and attendance records

- 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

The District has no written policies and procedures for contracts.

- 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, and (5) monitoring card usage

The District has no written policies and procedures for credit cards

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The District has no written policies and procedures for Travel and expense reimbursement

- 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. Note: Ethics requirements are not applicable to nonprofits.

The District has no written policies and procedures for Ethics

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District has no written policies and procedures for Debt Service

Board

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The minutes reflect that the board met 10 out of 12 months.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The District operates only an Enterprise Fund, a budget is adopted but budgetary comparisons are not presented on a monthly basis. Other financial reports were presented monthly.

- c) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

There was never a fund balance deficit, therefore, there was no written plan to eliminate the deficit spending.

- d) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Obtained and reviewed the minutes of the board for the fiscal period noting that non-financial information was reference

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of bank accounts provided by management, and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Each bank account was reconciled without exception

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank accounts examined had evidence of review and approval by board member

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Review of bank reconciliations for all accounts indicates, based on number of items outstanding for greater than six months, that there is currently not an ongoing review of reconciling items being performed.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations provided by management, and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.*

For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

There are two office personnel (one full time, one part time), both are bonded. Both are responsible for collecting payments, posting to utility billing system and making deposits. Both use the same cash drawer which is balanced daily. One is responsible for maintaining a manual cash receipts journal, the other for reconciling to deposits to cash receipts journal, posting deposits and reconciling bank accounts.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The District has a process for office personnel to reconcile deposits to corresponding utility payment registers and to general ledger posting to the cash receipts journal and utility payment reports.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and deposits were made within one day of collections without exception

Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The District has written processes specifically defined to determine completeness of all collections and is reconciled to utility system reports.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The electronic listing of disbursements and management's representation that the listing is complete was obtained

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The requisition/purchase order system is not utilized by the District, the majority of disbursements are for routine, reoccurring expenses. Potential major purchases are presented to the board for approval.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Invoices were approved by a board member prior to check signing, however there was no written documentation of approval found on individual invoices. A vendor balance detail report is reviewed at board meetings. All proposed non-routine purchases are discussed and approved at board meetings.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation of each of the 25 disbursements and found all payments were processed with supporting invoice however, for applicable disbursements for goods purchased none of the items tested included a receiving report because the District does not require maintaining such documentation. Additionally, there was no written evidence on the invoice of prior approval by board member, however it is the practice of the District for a board member to review invoices prior to check signing.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The business manager processes payments and also adds vendors in the accounting program to process invoices and prepare checks

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The person with signatory authority also can initiate and record purchases, however all checks require two signatures.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Observed the District's checks are printed on blank check stock, unused checks are stored in a locked closet.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable, signature stamp is not used

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

The listing of credit cards and management's representation that the listing is complete was obtained

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

On the month tested, supporting documentation was attached to the statement however there was no written evidence of review and approval.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

On the month tested there was no finance or late fees assessed

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Exception – Out of 26 transactions tested, 14 had summary receipt but not detailed receipt

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Found no written evidence of authorization, however all purchases appear to be for routine expenses

- For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No transactions met the threshold of the LA Public Bid Law requirements

- b) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All transactions tested appear comparable to Article 7, Section 14, except for 14 with only summary receipts

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The listing of travel reimbursements and management's representation that the listing is complete was obtained.

Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The District has no written policies related to travel and expense reimbursements.

18. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The District reimbursed expenses for mileage at less than the federal mileage rate, no other expenses were reimbursed.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Mileage reimbursements only

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Destination, purpose and number of miles driven was documented.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No written authorization was noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All mileage reimbursements were for travel related to District business

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Mileage reimbursements were reviewed and approved by business manager.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of contracts in effect, and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
No noncompliance noted
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
Not applicable
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
Contracts (construction) were amended by approved change orders
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
No exceptions noted
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).
There were no new contracts requiring approval during the current fiscal year

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- Obtained listing of employees with their related salaries and management's representation that the listing is complete.*
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
There was no employment contract or pay rate structure for employees
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
Annual increases are based on board approval for increases based on annual cost of living increases
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether 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.)
No exceptions noted
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
Found no written documentation of approval for leave taken.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No terminations of full-time employees noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No ethics violations occurred.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable – no debt issued during the current fiscal period

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Debt service accounts were fully funded.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The District has no tax millages relating to debt service

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The required notice has not been posted on the entity's premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted

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.

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.

W. Kathleen Beard, CPA

Bueche, LA

December 28, 2017