

Ebarb Waterworks District No. 1
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017



The CPA. Never Underestimate The Value.SM

Eugene W. Fremaux II
Certified Public Accountant

EBARD WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
DECEMBER 31, 2017

| | EXHIBIT | PAGE |
|---|---------|------|
| INDEPENDENT AUDITOR'S REPORT | | 1 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION – PART I</u> | | |
| Management's Discussion and Analysis | | 3 |
| <u>BASIC FINANCIAL STATEMENTS</u> | | |
| Statement of Net Position | A | 6 |
| Statement of Revenues, Expenditures and Changes in Net Position | B | 7 |
| Statement of Cash Flows | C | 8 |
| <u>Notes to Financial Statements</u> | | 9 |
| <u>OTHER SUPPLEMENTARY INFORMATION</u> | | |
| Schedule of Compensation, Benefits and Other Payments To Agency Head | D | 18 |
| Unaudited Summary of Utility Service Customers | E | 19 |
| Unaudited Schedule of Insurance in Force | F | 20 |
| Unaudited List of Governing Body Positions and Terms | G | 21 |
| Rate List | H | 22 |
| <u>OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS</u> | | |
| 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 <i>Governmental Auditing Standards</i> | | 23 |
| Schedule of Findings and Responses | | 25 |

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Ebarb Waterworks District No. 1
Zwolle, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana (the District), a component unit of the Sabine Parish Policy Jury, as of and for the year ended December 31, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, a component unit of the Sabine Parish Police Jury, as of December 31, 2017, and the respective changes in financial position, and cash flows 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 the 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information listed in the table of contents 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 basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting



EUGENE W. FREMAUX II, CPA
June 28, 2018

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased \$132,284 during the year.
- The District's assets exceeded its liabilities by \$275,125.
- Unrestricted net position increased by \$295,851 during 2017.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Supplementary information

The basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows, which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements are prepared on an accrual basis of accounting, which is similar to the accounting used by most private sector companies.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

EBARB WATERWORKS DISTRICT NO. 1
 ZWOLLE, LOUISIANA
 MANAGEMENT DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2017

Condensed Statement of Net Position

| | Dec. 31, 2017 | Dec. 31, 2016 |
|----------------------------------|---------------------|---------------------|
| Current and other assets | \$ 580,992 | \$ 467,322 |
| Capital assets, net | <u>2,206,382</u> | <u>2,313,736</u> |
| Total assets | <u>\$ 2,787,374</u> | <u>\$ 2,781,058</u> |
| Current and other liabilities | \$ 270,040 | \$ 291,851 |
| Long-term debt | <u>2,242,209</u> | <u>2,346,366</u> |
| Total liabilities | <u>2,512,249</u> | <u>2,638,217</u> |
| Net Position: | | |
| Invested in capital assets | - | - |
| Restricted | 64,212 | 57,903 |
| Unrestricted | <u>210,913</u> | <u>84,938</u> |
| Total net position | <u>275,125</u> | <u>142,841</u> |
| Total liabilities & net position | <u>\$ 2,787,374</u> | <u>\$ 2,781,058</u> |

Condensed Statement of Activities

| | <u>Year Ended</u> | |
|----------------------------------|-------------------|-------------------|
| | Dec. 31, 2017 | Dec. 31, 2016 |
| Operating revenues | \$ 1,551,926 | \$ 1,558,102 |
| Operating expenses | <u>1,314,522</u> | <u>1,282,887</u> |
| Operating income (loss) | 237,404 | 275,215 |
| Nonoperating revenues (expenses) | (105,120) | (112,759) |
| Capital contributions | <u>-</u> | <u>61,700</u> |
| Change in net position | <u>\$ 132,284</u> | <u>\$ 224,156</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The District's net position as of December 31, 2017 increased by \$132,284 during the year, as compared to an increase of \$224,156 in 2016, primarily due to an increase in usage revenues, an increase in operating expenses and a reduction in grant contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During 2017, the District invested \$83,061 in capital assets. The majority of the amount was invested in expenditures related to equipment.

DEBT

Debt repayments in 2017 amounted to \$196,721. Additional debt was incurred in the amount of \$80,259, primarily to purchase a backhoe and truck. Outstanding debt was reduced from \$2,405,549 to \$2,289,087.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District does not expect any significant changes in operations during the next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. P. M. Woods, President, P. O. Box 1366, Zwolle, LA 71486.

EBARB WATERWORKS DISTRICT NO.1
ZWOLLE, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| ASSETS | |
|--|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 131,957 |
| Accounts receivable | 237,128 |
| Prepaid expenses | <u>3,716</u> |
| Total current assets | <u>372,801</u> |
| Non-current assets: | |
| Restricted cash and cash equivalents | 208,191 |
| Capital assets, net | <u>2,206,382</u> |
| Total non-current assets | <u>2,414,573</u> |
| Total assets | <u>2,787,374</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 75,981 |
| Current portion of long-term debt | 192,074 |
| Current portion of capital lease obligation | <u>1,985</u> |
| Total current liabilities | <u>270,040</u> |
| Current liabilities payable from restricted assets: | |
| Customer deposits | 143,979 |
| Capital lease obligation | 1,217 |
| Notes payable | <u>2,097,013</u> |
| Total current liabilities payable from restricted assets | <u>2,242,209</u> |
| Total liabilities | <u>2,512,249</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | - |
| Restricted for debt service | 64,212 |
| Unrestricted | <u>210,913</u> |
| Total net position | <u>\$ 275,125</u> |

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

EBARB WATERWORKS DISTRICT NO.1
 ZWOLLE, LOUISIANA
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017

| | |
|------------------------------------|-------------------|
| Operating revenues: | |
| Charges for services | \$ 1,551,926 |
| Total operating revenues | <u>1,551,926</u> |
| Operating expenses: | |
| Advertising | 1,798 |
| Vehicle expense | 25,583 |
| Depreciation | 190,415 |
| Insurance | 26,120 |
| Legal and accounting | 33,960 |
| Licenses and permits | 35,043 |
| Repairs and maintenance | 79,921 |
| Miscellaneous | 12,358 |
| Office | 37,373 |
| Payroll taxes | 24,636 |
| Salaries and board per diem | 303,094 |
| Supplies | 92,485 |
| Telephone | 16,734 |
| Uniforms | 8,528 |
| Utilities | 53,695 |
| Water purchases | 372,779 |
| Total operating expenses | <u>1,314,522</u> |
| Operating income (loss) | <u>237,404</u> |
| Nonoperating revenues (expenses): | |
| Interest income | 59 |
| Interest expense | (105,179) |
| | <u>(105,120)</u> |
| Income (loss) before contributions | 132,284 |
| Capital contributions | - |
| Change in net position | <u>132,284</u> |
| Net position, beginning of year | <u>142,841</u> |
| Net position, end of year | <u>\$ 275,125</u> |

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

EBARB WATERWORKS DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 1,607,290 |
| Payments to suppliers | (843,802) |
| Payments to employees | <u>(303,094)</u> |
| Net cash provided by operating activities | <u>460,394</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on capital debt | (198,584) |
| Loan proceeds | 80,259 |
| Capital contributions | - |
| Interest paid | (105,179) |
| Payments for capital acquisitions | <u>(83,061)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(306,565)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>59</u> |
| Net cash provided by investing activities | <u>59</u> |
| Net increase (decrease) in cash and cash equivalents | 153,888 |
| Cash, cash equivalents and investments, beginning of year | <u>186,260</u> |
| Cash, cash equivalents and investments, end of year | <u>\$ 340,148</u> |
| Classified as: | |
| Unrestricted | \$ 131,957 |
| Restricted | <u>208,191</u> |
| Total | <u>\$ 340,148</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | <u>\$ 237,404</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 190,415 |
| Receivables and prepaid expenses | 40,218 |
| Accounts payable | (19,980) |
| Customer guaranteed deposits | <u>12,337</u> |
| Total adjustments to operating income (loss) | <u>222,990</u> |
| Cash flows from operating activities: | <u>\$ 460,394</u> |

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

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

The Ebarb Waterworks District No. 1 (the District), a political subdivision of the Sabine Parish Police Jury, was created by Louisiana Revised Statute 33:38.11 and adopted by the Police Jury on March 16, 1977. The District's purpose is to provide water service to any user within the geographical bounds of the District. The District is operated by a board that consists of up to five commissioners appointed by the Policy Jury.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of the District present information only as to the transactions of the programs of the District as authorized by Louisiana statutes and administrative regulations. These financial statements do not include the transactions or activities of the Sabine Parish Police Jury. The District's financial statements follow the guidance mentioned in *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District accounts for its activities in an enterprise fund. An enterprise fund is accounted for on an economic resources measurement focus. The fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the accounting period incurred, if measurable. Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result services provided in connection with the District's principal operations. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets. All revenue and expense not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivables

All receivables are recognized based on the monthly amounts billed for water consumption of District customers. Uncollectible revenues are generally balances owed by inactive customers. Uncollectible accounts are written off at the end of each year. As such, all outstanding receivables at the end of each year are deemed to be collectable and as such an allowance has not been recognized.

Restricted Assets

Based upon certain bond covenants, the District is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) in special funds that can be used only to service outstanding debt. The requirements are as follows:

a) Each month, there will be set aside into a fund called the "Water System Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the total principal and interest maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

b) Each month, there shall be set aside into a "Water System Reserve Fund" a sum at least equal to five percent (5%) of the annual debt payment until such time as there has been accumulated in said fund a sum equal to the highest combined principal and interest amount falling due in any year. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

c) Funds will also be set aside into a "Depreciation and Contingency Fund" Money in this fund shall be used to pay the principal and interest on bonds for which there is not sufficient money in the Sinking or Reserve Fund.

The District requires a customer deposit upon initial account opening for use of the District owned water meter at each residence or business. The District must hold the deposits in a separate bank account until the customer's account is closed and at that time the deposit is returned to the customer.

Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District is charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Position. Capital assets net of accumulated depreciation are reported on the Statement of Net Position. Depreciation is computed using the straight line method over the estimated useful life of the assets,

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to expenses as incurred. Major expenditures for renewals and betterments are capitalized.

Compensated Absences

All full time employees of the District earn annual and sick leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources, less liabilities less deferred inflows of resources. The net investment in capital assets component consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those restricted assets. The restricted component of net position is used when constraints are placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.

The unrestricted component of net position is all other net position that is not included in the determination of net investment of capital assets and the restricted component of net position.

The District's policy is to use unrestricted funds first, followed by restricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and cash equivalents include demand deposits at local financial institutions with a carrying value of \$340,148 at December 31, 2017. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. To mitigate this risk, state law requires deposits

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of December 31, 2017 the District's bank balances of these deposits were fully covered by FDIC insurance, and therefore were not exposed to custodial credit risk.

3. RESTRICTED ASSETS

At December 31, 2017 the District had the following restricted assets:

| | |
|--|------------------|
| Cash and cash equivalents for debt service | \$ 64,212 |
| Cash for customer deposits | <u>143,979</u> |
| Total | <u>\$208,191</u> |

4. CAPITAL ASSETS

A summary of changes in capital assets for 2017 follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-------------------------|--------------------|----------------------------|
| Land | \$ 77,530 | \$ - | \$ - | \$ 77,530 |
| Buildings | 45,192 | | - | 45,192 |
| Distribution system | 4,705,054 | | - | 4,705,054 |
| Vehicles | 113,959 | 20,012 | - | 133,971 |
| Equipment | 143,975 | 63,049 | - | 207,024 |
| Construction in Progress | <u>105,742</u> | <u>-</u> | <u>-</u> | <u>105,742</u> |
| Total | <u>\$ 5,191,452</u> | <u>\$ 83,061</u> | <u>\$ -</u> | <u>\$ 5,274,513</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

A summary of changes in accumulated depreciation for 2017 follows:

| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Deductions</u> | Ending <u>Balance</u> |
|--------------------------|-----------------------------|--------------------------|--------------------|----------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings | 24,362 | 3,184 | - | 27,546 |
| Distribution system | 2,654,246 | 165,157 | - | 2,819,403 |
| Vehicles | 103,795 | 11,609 | - | 115,404 |
| Equipment | 95,313 | 10,465 | - | 105,778 |
| Construction in Progress | - | - | - | - |
| Total | <u>\$ 2,877,716</u> | <u>\$ 190,415</u> | <u>\$ -</u> | <u>\$ 3,068,131</u> |

5. CONCENTRATION OF WATER SUPPLY

During 2017, the District obtained approximately 84% of water sold from other water districts within the parish.

6. LITIGATION

At December 31, 2017 the District was involved in litigation with AT&T concerning damage to AT&T's line by the District. While the ultimate outcome of this litigation is uncertain, management does not believe that the final resolution of this litigation will have a material impact on the District's financial statements.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of asset; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the District.

8. VIOLATION OF DEBT COVENANTS

As discussed in Note 1 under significant accounting policies for restricted cash, the District is required to make monthly deposits into various reserve accounts under the terms of its current debt obligations. While the District has made some monthly deposits into these reserve accounts and is current on its required principal payments, the District is not making the minimum monthly payments as required under the terms of the agreement and therefore is not in compliance with its debt covenants. As of December 31, 2017 the District had \$64,212 deposited in the reserve accounts, which is less than the required amount of approximately \$264,500.

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

9. LEASE OBLIGATIONS

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of December 31, 2017:

| <u>Year ending, December 31,</u> | <u>Amount</u> |
|---|-----------------|
| 2018 | \$ 2,130 |
| 2019 | <u>1,243</u> |
| Total minimum payments required | 3,373 |
| Less amounts representing interest | <u>(171)</u> |
| Present value of minimum lease payments | 3,202 |
| Less current portion | <u>(1,985)</u> |
| Long-term portion | <u>\$ 1,217</u> |

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 28, 2018, and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

11. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for 2017:

| | Balance Dec. 31, 2016 | Additions | Deletions | Balance Dec. 31, 2017 | Current Amounts |
|----------------------------------|----------------------------|-------------------------|--------------------------|----------------------------|--------------------------|
| Revenue Bonds-1982 | \$ 184,164 | \$ - | \$ 42,135 | \$ 142,029 | \$ 44,070 |
| Revenue Bonds-1990 | 1,518,267 | - | 94,549 | 1,423,718 | 98,887 |
| Revenue Bonds-1993 | 498,209 | - | 25,173 | 473,036 | 26,328 |
| Revenue Bonds-2006 | 114,233 | - | 1,945 | 112,288 | 2,032 |
| Certificate of Indebtedness-2012 | 9,640 | - | 9,640 | - | - |
| Certificate of Indebtedness-2014 | 45,851 | - | 7,101 | 38,750 | 7,476 |
| Certificate of Indebtedness-2016 | 7,775 | - | 7,775 | - | - |
| Certificate of Indebtedness-2016 | 27,410 | - | 5,760 | 21,650 | 6,085 |
| Certificate of Indebtedness-2017 | - | 60,247 | - | 60,247 | 7,196 |
| Certificate of Indebtedness-2017 | - | 20,012 | 2,643 | 17,369 | - |
| Total | <u>\$ 2,405,549</u> | <u>\$ 80,259</u> | <u>\$ 196,721</u> | <u>\$ 2,289,087</u> | <u>\$ 192,074</u> |

The following is a summary schedule by years of future payments under the above debt:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------------|--------------------------|----------------------------|
| 2018 | \$ 195,807 | \$ 100,322 | \$ 296,129 |
| 2019 | 205,077 | 91,052 | 296,129 |
| 2020 | 214,801 | 81,328 | 296,129 |
| 2021 | 173,409 | 72,541 | 245,950 |
| 2022 | 168,615 | 64,170 | 232,785 |
| 2023-2027 | 892,669 | 202,837 | 1,095,506 |
| 2028-2032 | 368,535 | 40,542 | 409,077 |
| 2033-2037 | 21,385 | 13,135 | 34,520 |
| 2038-2042 | 26,604 | 7,916 | 34,520 |
| 2043-2047 | <u>22,185</u> | <u>3,130</u> | <u>25,315</u> |
| Total | <u>\$ 2,289,087</u> | <u>\$ 676,972</u> | <u>\$ 2,966,059</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

The terms of the individual debt issues of the District are as follows:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount Issued</u> |
|----------------------------------|--------------------------|--------------------------|----------------------------|
| Revenue Bonds-1982 | 4.500% | 2021 | \$ 569,804 |
| Revenue Bonds-1990 | 4.500% | 2029 | 2,194,968 |
| Revenue Bonds-1993 | 4.500% | 2032 | 778,650 |
| Revenue Bonds-2006 | 4.375% | 2046 | 129,000 |
| Certificate of Indebtedness-2014 | 5.600% | 2022 | 61,032 |
| Certificate of Indebtedness-2016 | 5.500% | 2020 | 31,080 |
| Certificate of Indebtedness-2017 | 5.750% | 2024 | 60,247 |
| Certificate of Indebtedness-2017 | 5.750% | 2022 | 20,012 |
| Total | | | <u>\$ 3,844,793</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

12. COMPENSATION PAID TO BOARD MEMBERS

Per diem payments to Board members during 2017 are as follows:

| | |
|----------------|---------|
| P. M. Woods | \$1,380 |
| Benny Garcie | 1,080 |
| Donald Garcie | 1,140 |
| Harold Ledford | 60 |
| Pete Nugent | 1,140 |
| Robert Conyer | 1,020 |

**EBARB WATER WORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2017**

EXHIBIT D

Agency Head: P. M. Woods

| <u>Purpose</u> | <u>Amount</u> |
|----------------|------------------------|
| Per diem | \$ 1,380 |
| Lodging | 0 |
| Travel | <u>660</u> |
| Total | \$ <u>2,040</u> |

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED SUMMARY OF UTILITY SERVICE CUSTOMERS
DECEMBER 31, 2017**

EXHIBIT E

| <u>Type of Customers</u> | <u>Numbers of Customers</u> |
|--------------------------|-----------------------------|
| Residential | 2840 |
| Non-Residential | <u>93</u> |
| | <u><u>2,933</u></u> |

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2017**

EXHIBIT F

| <u>Insurer</u> | <u>Expiration Date</u> | <u>Coverage</u> | <u>Limits</u> |
|---------------------------------------|------------------------|------------------------------|------------------------------|
| Louisiana Worker's Compensation Corp. | January 01, 2019 | Workers' Compensation | |
| | | Bodily Injury by Accident | \$1,000,000 each accident |
| | | Bodily Injury by Disease | \$1,000,000 policy limit |
| | | Bodily Injury by Disease | \$1,000,000 each employee |
| American Alternative Insurance Corp. | February 8, 2019 | Commercial General Liability | \$3,000,000 |
| | | Deductible | \$1,000 |
| | | Property | \$1,000,000 |
| | | Deductible | \$1,000 |
| | | Automobile Liability | \$1,000,000 |
| | | Deductible | \$500 |
| | | Errors and Omissions | \$1,000,000 |
| | | Deductible | \$0 |

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED LIST OF GOVERNING BODY POSITIONS AND TERMS
DECEMBER 31, 2017**

EXHIBIT G

| <u>Name</u> | <u>Position</u> | <u>Address</u> | <u>Telephone Number</u> |
|---------------|-------------------------|-------------------------------------|-------------------------|
| PM Woods | President | P.O. Box 93, Zwolle, LA 71486 | (318) 645-9721 |
| Robert Conyer | Commissioner | 895 Village Drive, Zwolle, LA 71486 | (318) 256-0091 |
| Donald Garcie | Secretary/ Treasurer | 101 Rock Hill Ln, Noble, LA 71462 | (318) 645-9212 |
| Benny Garcie | Commissioner | P.O. Box 493, Zwolle, LA 71486 | (318) 508-2931 |
| Peter Nugent | Vice President | 1269 Parkside Dr., Zwolle, LA 71486 | (318) 645-7791 |

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
RATE LIST
DECEMBER 31, 2017**

EXHIBIT H

| <u>Rate List</u> | |
|--|---|
| Security deposit | \$100.00 |
| Security deposit renters | \$200.00 |
| Late Charge | 10% of current charges |
| New meter box (customer installed) | \$55.00 |
| New meter box (ewd#1 installed) | \$65.00 |
| Move water meter (10 feet or less) | \$200.00 |
| Impact Fee | \$250.00 |
| Road bore fee | \$1,450.00 |
| Short tap fee | \$1,000.00 |
| One inch meter (meter itself) | \$500.00 |
| DHH fee | \$1.00/month |
| Lock replacement | \$20.00 |
| Transfer Fee | \$75.00 |
| Replace cut-off valve | \$50.00 |
| Replace water meter | \$50.00 |
| NSF check | \$25.00 |
| Pull meter | \$75.00 |
| Reconnect for nonpayment | \$50.00 |
| Service call | \$50.00 |
| Base rate residential after 1 st 1,000 | \$25.50/1,000 gallons \$6.75/1,000 |
| Base rate commercial after 1 st 10,000 | \$62.50/10,000 gallons \$12.05/1,000 |
| Bulk water rate | \$12.05/1,000 gallons |
| Base rate non-residential after 1 st 1,000 | \$25.50/1,000 gallons \$6.75/1,000 |

See Independent Auditor's Report.

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 Commissioners
Ebarb Waterworks District No. 1
Zwolle, Louisiana

We 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 Ebarb Waterworks District No. 1 (the District), a component unit of the Sabine Parish Police Jury, of and for the year ended December 31, 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, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and are described in the accompanying schedule of findings and questioned costs as items 2017-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



EUGENE W. FREMAUX II, CPA
June 28, 2018

EBARB WATERWORKS DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017

CURRENT YEAR

2017-01 Noncompliance with Debt Covenants

Criteria: In accordance with the terms of its bond agreements, the District is required to make monthly deposits into a Reserve Fund equal to 5% of the payments being made into a Sinking Fund until an amount equal to the highest combined principal and interest requirements for any year Bond and any additional Parity Bonds is on deposit. In addition, the District is to deposit into a Depreciation and Contingency Fund a sum of 5% of the amount paid into the Sinking Fund. When a sum equal to the Debt Service requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount to 10% of the amount being paid monthly into the Sinking Fund. These accounts have a balance of \$64,212 at December 31, 2017, which is below the required amount of \$264,500.

Condition: The District has been making some deposits into these accounts, but has not been depositing the required amounts into these accounts. See prior year finding 2016-02 (initial year of finding – 1996).

Cause: Management needed funds to cover short-term cash needs of the District.

Effect: The District is not in compliance with debt covenants.

Recommendation: The District needs to develop a plan to ensure future adherence to its bond covenants.

View of Responsible Official and Planned Corrective Action: The District will continue to make deposits into these accounts as cash flow from operations permit. Additional funding of these accounts has begun in 2017, however management believes it will take a number of years to restore these reserve accounts to the proper balances.

PRIOR YEAR

2016-01 Restricted Cash – Customer Deposits

Criteria: An escrow account is maintained by the District to hold required deposits paid by customers upon the establishment of water services. These deposits are refunded to customers upon service termination for accounts that are current.

Condition: In prior years the District has not been depositing the required amounts into this account, and has withdrawn funds which did not represent refunds to customers. See prior year finding 2016-01. In 2017 the correct amounts of deposits were made into this account, and additional amounts were deposited to

EBARB WATERWORKS DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017

increase the amount to cover 100% of the meter deposit liability at December 31, 2017; therefore this issue has been resolved.

Cause: Management needed funds to cover short-term cash needs of the District.

Effect: The District is not in compliance with established policies and state regulations regarding customer deposits.

Recommendation: The District needs to continue to handle customer deposits in accordance with policy, and to implement a plan to reimburse the escrow account to the appropriate amount.

View of Responsible Official and Planned Corrective Action: The District will continue to follow the customer deposit policy and expects to be in complete compliance by the end of 2017.

2016-02 Noncompliance with Debt Covenants

See 2017-01 above.

Ebarb Waterworks District No. 1
AGREED-UPON PROCEDURE REPORT
DECEMBER 31, 2017



The CPA. Never Underestimate The Value.SM

Eugene W. Fremaux II
Certified Public Accountant

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Ebarb Waterworks District No. 1
Zwolle, Louisiana

We have performed the procedures enumerated below, which were agreed to by Ebarb Waterworks District No. 1 (Entity) 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, 2017 through December 31, 2017. The Entity'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. **Procedure:** 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.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts**, including receiving, recording, and preparing deposits.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The Entity does not have formal written policies and procedures for Budgeting, Receipts, Payroll/Personnel, Contracting, Credit Cards, Ethics or Debt Service. The written policies and procedures for purchasing do not address how vendors are added to the approved vendor list.

Management's Response: Although the District does not have written policies and procedures with respect to Ethics, the District complies with laws and regulations related to Ethics.

Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks normally are signed by two individuals, with one being the Board President and the other being the Board Treasurer.

Board (or Finance Committee, if applicable)

2. **Procedure:** 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.
 - 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).
 1. 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.
 - c) 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.

Results: a) The Board meets monthly.

b) The District does not operate with a budget.

Bank Reconciliations

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

Result: No exceptions noted.

4. **Procedure:** Using the listing provided by management, select all of the entity's bank accounts (if five (5) accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five (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;

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

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

Results:

- a) No exceptions noted.
- b) There is no indication that a member of the Board has reviewed the reconciliation.
- c) The District did not have documentation indicating that old outstanding items (more than 6 months) had been researched. There was one item on the operating account and 10 items on the meter deposit account that were outstanding more than six months.

Management's Response: The District will insure that all reconciliations will be reviewed by a Board member, with the review documented by initials and date of review. District staff will research outstanding transactions over six months old and document this research monthly.

Collections

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

Results: No exceptions noted.

6. **Procedure:** Using the listing provided by management, select all of the Entity's cash collection locations (if five (5) locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five (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.

- 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.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - 1. 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.
 - 2. 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.

Results:

- a) The Entity does not have written documentation supporting the policy or procedure stating that the employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. However, the contract accountant is responsible for recording the general ledger transactions and reconciling the bank accounts. The District does not accept cash, only checks, money orders, and online payments to their bank account. Bank deposits are made using the bank's remote deposit feature. All District employees are covered under the District's insurance policy for loss and/or theft.
- b) The Entity does not have written documentation and procedures for reconciling cash collections to the general ledger; however, the person responsible for cash collections may also be responsible for reconciling to the general ledger.
- c)
 - 1. No exceptions noted.
 - 2. No exceptions noted.

Management's Response: Due to the limited staff size, the Entity's policy and procedures for collections does not preclude employees who collect cash from depositing, recording, and reconciling bank accounts. However, the District's procedures do include review functions by another employee, the System Manager,

and the President and Board to help mitigate the lack of segregation that would be ideal if the District had larger staff.

7. **Procedure:** 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.

Results: The Entity does not have formal written policies and procedures for determining the completeness of all collections by a person who is not responsible for those collections.

Management's Response: Although the District does not have formal written policies and procedures for determining completeness of all collections for each revenue source by a person not responsible for collections, there are procedures in place for daily cash reports that are prepared and reviewed by the employees and System Manager. The small staff size precludes ideal segregation of duties but where practical, review functions are implemented to mitigate risks.

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

8. **Procedure:** 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.

Results: No exceptions noted.

9. **Procedure:** Using the disbursement population from #8 above, randomly select twenty-five (25) disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than twenty-five (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.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: The District does not use a requisition or purchase order system, nor are receiving reports utilized. Of the 25 disbursements selected, 4 had sales tax charged (\$92.58) and 2 had finance charges (\$75.86). All transactions tested were paid from an invoice approved by the System Manager.

10. **Procedure:** 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.

Results: The District does not have formal written policies and procedures regarding who is responsible for adding vendors to the purchasing/disbursement system.

Management's Response: Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks are normally signed by two individuals, with one being either the Board President and the other another Board Member.

11. **Procedure:** 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.

Results: The Entity does not have formal written policies and procedures stating that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating purchases.

Management's Response: Due to the small staff size, it is impractical to prohibit persons with signatory authority or who make final authorization for disbursements to have no responsibility for initiating purchases. However, all checks require two signatures and supporting documentation for expenditures is presented for review and approval at the time checks are presented for signing. We believe this secondary review and approval helps mitigate the risk of improper disbursements by persons who may have signatory authority and other authorization and initiation responsibilities.

- 12. Procedure:** 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.

Results: Check stock is maintained in a locked location but is accessible by some authorized check signers.

Management's Response: Due to the limited staff size, it is impractical to prohibit all persons with signatory authority from access to check stock. However, all checks require two signatures.

- 13. Procedure:** 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.

Results: No exceptions noted.

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

- 14. Procedure:** 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.

Results: No exceptions noted.

- 15. Procedure:** Using the listing prepared by management, randomly select ten (10) cards (or at least one-third of the cards if the entity has less than ten (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.]

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

Results:

- a) There was no evidence that the monthly statements were reviewed or approved by someone other than the authorized card holder.
- b) No exceptions noted.

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

- a) For each transaction, report whether the transaction is supported by:
 - 1. An original itemized receipt (i.e., identifies precisely what was purchased).
 - 2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - 3. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) 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.
- c) 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.

Results: All 26 charges had supporting documentation. Fifteen charges had sales tax amounting to \$124.05. Two of the transactions had some food listed on the support, however there was no indication of what event or who attended for the food items.

Management's Response: The System Manager will meet with the vendors who are charging sales tax and furnish them the needed exemption information to allow them to set up the District to purchase without paying sales tax. All future charges relating to meals will be documented with business purpose and people in attendance.

Travel and Expense Reimbursement

17. **Procedure:** 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.

Results: No exceptions noted.

18. **Procedure:** 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.

Results: No exceptions noted.

19. **Procedure:** 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 (3) 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.

b) Report whether each expense is supported by:

1. 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.]

2. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 3. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

Contracts

- 20. Procedure:** 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.

Results: No exceptions noted.

- 21. Procedure:** Using the listing above, select the five (5) 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.
- 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:
 1. 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).

2. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- 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.
- 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.
- 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).

Results: No exceptions noted.

Payroll and Personnel

22. Procedure: 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 (5) employees/officials, obtain their personnel files, and:

- 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.
- 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.

Results: There was no documentation in the employee's payroll file of their pay rate. The Board approves all pay rates, however the individual rates are not included in the minutes, nor are they attached to the minutes.

Management's Response: Written documentation of pay rates will be included as an attachment to the Board minutes in the future, and appropriate documentation will be included in the employee's payroll file.

23. Procedure: 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 twenty-five (25) employees/officials (or randomly select one-third of employees/officials if the entity had less than twenty-five (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.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- 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.

Results: No exceptions noted.

- 24. Procedure:** 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.

Results: No exceptions noted.

- 25. Procedure:** 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.

Results: No exceptions noted.

Ethics

- 26. Procedure:** Using the five (5) 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.

Results: No exceptions noted.

27. **Procedure:** 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.

Results: No exceptions noted.

Debt Service (excluding nonprofits)

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

Results: No exceptions noted.

29. **Procedure:** 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.

Results: The District made all scheduled debt service payments as required in 2017, however the District has not been able to maintain debt reserves as required by USDA loans (see Note 8 to the financial statements).

30. **Procedure:** 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.

Results: Not applicable.

Other

31. **Procedure:** 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.

Results: No exceptions noted.

32. Procedure: 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.

Results: No exceptions noted.

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

Results: No exceptions noted.

We were 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, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our 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.



Eugene W. Fremaux II, CPA
June 28, 2018