

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

**REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
DENHAM SPRINGS, LOUISIANA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Ward Two Water District of Livingston Parish 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.

Report on Summarized Comparative Information

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 11 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 Ward Two Water District of Livingston Parish's basic financial statements. The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards (Schedule 4), 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 revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3), and the schedule of expenditures of federal awards (Schedule 4) are the responsibility of management and were derived from and relate 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 our opinion, the schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3), and the schedule of expenditures of federal awards (Schedule 4) are 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 19, 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 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 Ward Two Water District of Livingston Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannu J. Bourgeois, CPA

Denham Springs, Louisiana
June 19, 2018

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017

Introduction

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (GASB 34)*, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2017, total assets and deferred outflows of resources were \$41,742,701, and exceeded liabilities in the amount of \$18,937,521 (i.e., net position). Of the total net position, \$2,237,977 was unrestricted and available to support short-term operations; \$4,450,751 was restricted for capital projects and debt service, with the balance of \$12,248,793 as net investment in capital assets.
- For the year ended December 31, 2017, user fee revenues (water sales) increased 0.29 % to \$5,784,458 as compared to \$5,622,671 for the fiscal year ended December 31, 2016.
- The District's expenses decreased 0.028 percent to \$5,266,613 as compared to \$5,419,719 in 2016.
- The District had asset improvements placed in service of \$3,118,599 during the year ended December 31, 2017.

The reasons for the above changes, and for other changes in the financial position of the District, are discussed following the financial statement tables and presentations within the Management Discussion and Analysis.

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Condensed Balance Sheets
As of December 31, 2017 and 2016

	2017	2016	Dollar Change	Percentage Change
Assets:				
Current Assets	\$ 8,950,736	\$ 7,169,861	\$ 1,780,875	24.84%
Noncurrent Assets:				
Other Assets	492	492	-	0.00%
Capital Assets	<u>32,196,044</u>	<u>31,265,182</u>	<u>930,862</u>	2.98%
Total Assets	<u>41,147,272</u>	<u>38,435,535</u>	<u>2,711,737</u>	7.06%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	<u>595,429</u>	<u>659,276</u>	<u>(63,847)</u>	(9.68%)
Total Assets and Deferred Outflows of Resources	<u>41,742,701</u>	<u>39,094,811</u>	<u>2,647,890</u>	6.77%
Liabilities:				
Current Liabilities	9,573,529	7,190,412	2,383,117	33.14%
Long-Term Liabilities	<u>13,231,651</u>	<u>14,716,150</u>	<u>(1,484,499)</u>	(10.09%)
Total Liabilities	<u>22,805,180</u>	<u>21,906,562</u>	<u>898,618</u>	4.10%
Net Position:				
Net Investment in Capital Assets	12,248,793	11,621,812	626,981	5.39%
Restricted for Capital Activity and Debt Service	4,450,751	4,370,336	80,415	1.84%
Unrestricted	<u>2,237,977</u>	<u>1,196,101</u>	<u>1,041,876</u>	87.11%
Total Net Position	<u>\$ 18,937,521</u>	<u>\$ 17,188,249</u>	<u>\$ 1,749,272</u>	10.18%

The major components of change for “Current Assets” were primarily increases of Cash and Cash Equivalents of \$1,570,286, a decrease in Inventory of \$25,574, a decrease in Receivables of \$85,609, a decrease in prepaid expense of \$3,954, and an increase in Due from Other Governments of \$181,984. In addition there was an increase in restricted assets of \$143,922.

“Capital Assets” increased by \$930,862 primarily from additions to construction projects combined with the reduction effect of depreciation expense recorded of \$1,228,834 and the retirement of older assets.

“Deferred Amount on Refunding of Debt” decreased by \$63,847 for amortization of the advanced refunding difference.

“Total Liabilities” increased by \$898,618 primarily from changes in Short Term and Long Term Debt. The repayment of regular scheduled principal payments caused a decrease of \$1,484,000. In addition, the District had a net increase of \$2,025,034 due to draws and principal payments on the bond anticipation note of an authorized \$8,000,000 Series 2011A Revenue Bond. Construction is expected to be finalized in 2018 for the 2011A Bond. Also Accounts Payable, Accrued Payables, and Construction Payable increased by a net of \$521,683 with the majority of increase relating to Accounts Payable (\$324,088) and Construction Payable (\$205,276). There was also an increase in Customer Deposits \$65,600.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 6,480,429	\$ 6,238,289	\$ 242,140	4%
Nonoperating Revenues	530,777	151,761	379,016	250%
Total Revenues	<u>7,011,206</u>	<u>6,390,050</u>	<u>621,156</u>	10%
Expenses:				
Depreciation	1,226,392	1,220,571	5,821	0%
Other Operating Expenses	3,477,248	3,593,352	(116,104)	(3%)
Nonoperating Expenses	558,294	607,061	(48,767)	(8%)
Total Expenses	<u>5,261,934</u>	<u>5,420,984</u>	<u>(159,050)</u>	(3%)
Change in Net Position	1,749,272	969,066	780,206	81%
Beginning Net Position	<u>17,188,249</u>	<u>16,219,183</u>	<u>969,066</u>	6%
Ending Net Position	<u>\$18,937,521</u>	<u>\$17,188,249</u>	<u>\$ 1,749,272</u>	10%

While the Balance Sheet shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of consistent expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 20,330 at fiscal year end compared to 19,897 in 2016, for an increase of 433.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by \$242,140 (3.88%) for the fiscal year ended December 31, 2017 after a \$354,764 (6.02 %) increase for the year ended December 31, 2016. The increase in Operating Revenues for 2017 was related to more water usage by the customer base during the year. The Non-operating Revenues increased over 2016 by \$383,695 in 2017. The majority of the increase in Non-operating Revenues increase is related to \$190,503 increase in miscellaneous income (primarily caused by the District delayed disconnects in 2016 due to the impact the August 2016 floods had on the District's customers, and in 2017 disconnects were resumed which results in increased activity in 2017 compared to 2016) and \$210,822 in disaster relief funds received by the District related to the August 2016 flooding that occurred at the District's administrative office and surrounding areas.

Total expenses decreased by \$154,371 from the prior year reflecting a \$48,767 decrease in non-operating expenses (majority being interest expense). In addition, there was a net decrease in other operating expenses of \$105,604 primarily from the net effect of a \$237,942 decrease in repairs and maintenance and a \$105,014 increase in personal and contractual services in 2017 compared to 2016. Also, there was a \$8,263 increase in depreciation expense and a utilities, bank fees, supplies and insurance increase of \$10,373.

The above changes resulted in an increase in Net Position of \$1,749,272 for the year ended December 31, 2017, as compared to an increase in net position of \$969,066 for the year ended December 31, 2016.

Budgetary Highlights

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana adopts an annual operating budget and reviews budget-to-actual performance on a monthly basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in “Schedule 1 - Budgetary Comparison Schedule”, as supplementary information, following the footnotes to the financial statements.

Condensed Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2017

	Final Budget December 31, 2017	Actual December 31, 2017	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 6,576,500	\$ 6,480,429	\$ (96,071)
Nonoperating Revenues	292,100	530,777	238,677
Total Revenues	<u>6,868,600</u>	<u>7,011,206</u>	<u>142,606</u>
Expenses:			
Depreciation	1,215,000	1,226,392	(11,392)
Other Operating Expenses	3,555,400	3,477,248	78,152
Nonoperating Expenses	625,000	558,294	66,706
Total Expenses	<u>5,395,400</u>	<u>5,261,934</u>	<u>133,466</u>
Change in Net Position	1,473,200	1,749,272	276,072
Beginning Net Position	17,188,249	17,188,249	-
Ending Net Position	<u>\$ 18,661,449</u>	<u>\$ 18,937,521</u>	<u>\$ 276,072</u>

Actual Operating Revenues were less than budgeted Operating Revenues by an unfavorable 1.46 percent. Actual Other Operating Expenses were less than budgeted amounts by \$78,152. Actual Non-operating Expenses were less than budgeted amounts by \$66,706 and is comprised primarily of decreased interest expense. The major reason for Actual Operating Expenses being under budget \$78,152 was attributed to decreases in employee benefits and payroll taxes in the amount of \$16,823, along with an under budget of insurance of \$38,158 and the netting effect of favorable decreases in repairs and maintenance \$8,780, contractual services \$23,088, office expense \$5,334, bank card charges/fees \$7,314, and vehicle expenses \$6,147 and unfavorable increases in supplies (\$9,833), utilities (\$2,090), and bad debt (\$15,569).

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

As of December 31, 2017 and 2016, the District had the following number of customers:

	December 31, 2017	December 31, 2016	Increase (Decrease)
Customers			
Residential	19,066	18,741	325
Nonresidential	1,264	1,156	108
Total Customers	<u>20,330</u>	<u>19,897</u>	<u>433</u>

Revenue and Expense Data Per Customer Per Month

	December 31, 2017	December 31, 2016	Increase (Decrease)	Percentage Change
Water Sales	23.71	23.55	0.16	1%
Operating Revenues	26.56	26.13	0.43	2%
Total Revenues	28.74	26.76	1.98	7%
Operating Expenses	19.28	20.16	(0.88)	(4%)
Total Expenses	21.57	22.70	(1.13)	(5%)

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016	Increase (Decrease)
Accounts Receivable			
Current	\$ 395,156	\$ 546,147	\$ (150,991)
31-60 Days Past Due	5,441	60,280	(54,839)
Over 60 Days Past Due	41,135	59,570	(18,435)
Subtotal	<u>441,732</u>	<u>665,997</u>	<u>(224,265)</u>
Allowance for Uncollectible Accounts	<u>(41,716)</u>	<u>(31,100)</u>	<u>(10,616)</u>
Net Accounts Receivable	<u>\$ 400,016</u>	<u>\$ 634,897</u>	<u>\$ (234,881)</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2017, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$32,196,044 (net of accumulated depreciation) recorded in capital assets. The District continues to make additions to its water system to meet the demands of its increasing customer base. The changes in capital assets are presented in the table below.

	December 31, 2017	December 31, 2016	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 553,594	\$ 553,594	\$ -	0%
Construction in Progress	-	958,903	(958,903)	(100%)
Utility System	44,939,115	41,832,631	3,106,484	7%
Buildings	974,108	974,108	-	0%
Equipment	1,313,455	1,465,759	(152,304)	(10%)
Furniture and Fixtures	41,565	41,565	-	0%
Vehicles	436,190	500,232	(64,042)	(13%)
Subtotal	48,258,027	46,326,792	1,931,235	4%
Less: Accumulated Depreciation	(16,061,983)	(15,061,610)	(1,000,373)	7%
Net Capital Assets	<u>\$ 32,196,044</u>	<u>\$ 31,265,182</u>	<u>\$ 930,862</u>	3%

Long-Term Debt

The primary source of long-term financing for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana are seven series of existing bonds financed by financial institutions and various government agencies. During 2012, the District refunded several series of bonds in order to reduce interest expense and fees over the life of the bonds. The refunding of the Series 2000 bonds and Series 2005 bonds resulted in a decrease of total debt service payments over the next 14 years by \$728,956 and resulted in an economic gain of \$628,526. The partial refunding of the Series 2004 bonds resulted in a decrease of total debt service payments over the next 17 years by \$585,966 and an economic gain of \$480,303. Details including balances, payments, and interest rates are included in Note 6 - Long-Term Debt.

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in Footnote 8 - Long Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 8, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2017, the Bond Debt Coverage Ratio exceeded the 125% requirement.

Future Economic Plans

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's management approach has been conservative when estimating revenues and expenses of operation, but has been aggressive to meet the needs of a rapidly expanding water system. During 2010, the District, based on the District's consulting engineer's recommendation, approved resolutions authorizing additional loan proceeds from the Department of Health and Hospitals (DHH) to fund a maximum of Twelve Million (\$12,000,000) in construction improvements and expansions. Funds are to be repaid with a pledge of revenues by the District. During 2012, the District completed the construction and placed in service the improvement and expansions related to the \$4,000,000 Series 2010A Revenue Bonds. The District closed the loan on the \$8,000,000 Series 2011A Bonds during the fourth quarter of 2011, and began construction in the first quarter of 2012. At December 31, 2017, the District had received \$7,600,680 (\$1,125,000 which has been forgiven) in bond anticipation notes of an authorized \$8,000,000 Series 2011A Revenue Bond and the remaining projects are expected to be completed in 2018. During 2012, the District fully refunded the Series 2000 bonds and Series 2005 bonds and partially refunded the Series 2004 bonds in order to reduce interest expense and fees over the life of the bonds. The new refunding bonds are classified as the 2012A, 2012B, 2012C and 2012D bonds.

In 2017, the District had a slower numerical customer growth than experienced in the past five years due mainly to the August 2016 federal disaster event, but in 2017 actually provided more water to the customer base of the District resulting in water related revenue increasing by 4% and overall operating expenses decreasing 3%, compared to 2016. The rebound from the federal disaster of 2016 experienced by customers is now showing signs of consistent growth again in 2018. Development plans are once again taking action which will again increase the customer base of the District in the years ahead as experienced since 2010.

Contacting the District's Management

This financial report is designed to provide a general overview of the finances of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana, for all those interested in the District's finances. Questions regarding any of the information in this report or request for additional information should be addressed to Manager, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET

AS OF DECEMBER 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,136,870	\$ 566,584
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$41,716 and \$31,100, respectively)	400,016	634,897
Unbilled Water Sales	264,240	215,082
Due from Other Governments	155,743	43,968
Other	-	11,661
	<u>819,999</u>	<u>905,608</u>
Restricted Assets:		
Cash and Cash Equivalents -		
Cash for Customer Deposits	535,954	500,436
Bond Covenant Accounts	4,337,924	4,299,748
Construction Account	261,034	190,806
	<u>5,134,912</u>	<u>4,990,990</u>
Due from Other Governments	302,389	120,405
	<u>5,437,301</u>	<u>5,111,395</u>
Inventory	461,533	487,287
Prepaid Insurance	95,033	98,987
Total Current Assets	<u>8,950,736</u>	<u>7,169,861</u>
Noncurrent Assets:		
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	553,594	1,512,497
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	31,642,450	29,752,685
Total Capital Assets	<u>32,196,044</u>	<u>31,265,182</u>
Total Noncurrent Assets	<u>32,196,536</u>	<u>31,265,674</u>
Total Assets	<u>41,147,272</u>	<u>38,435,535</u>
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding of Debt	595,429	659,276
Total Assets and Deferred Outflows of Resources	<u>\$ 41,742,701</u>	<u>\$ 39,094,811</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET (CONTINUED)

AS OF DECEMBER 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 430,332	\$ 106,244
Accrued Payables	34,200	41,881
Construction Payable	303,065	97,789
Due to Other Governments	67,269	-
Accumulated Unpaid Vacation	13,217	13,383
Customer Deposits	1,227,235	1,161,635
Bond Anticipation Note Payable	5,866,680	4,145,646
Bonds Payable - Current Portion	1,484,000	1,481,000
Accrued Interest on Bonds Payable	147,531	142,834
	<u>9,573,529</u>	<u>7,190,412</u>
Noncurrent Liabilities:		
Bonds Payable	13,192,000	14,676,000
Accumulated Unpaid Vacation	39,651	40,150
	<u>13,231,651</u>	<u>14,716,150</u>
Total Long-Term Liabilities	<u>13,231,651</u>	<u>14,716,150</u>
Total Liabilities	<u>22,805,180</u>	<u>21,906,562</u>
<u>Net Position</u>		
Net Investment in Capital Assets	12,248,793	11,621,812
Restricted for:		
Capital Projects and Debt Service	4,450,751	4,370,336
Unrestricted	2,237,977	1,196,101
	<u>18,937,521</u>	<u>17,188,249</u>
Total Net Position	<u>18,937,521</u>	<u>17,188,249</u>
Total Liabilities and Net Position	<u><u>\$ 41,742,701</u></u>	<u><u>\$ 39,094,811</u></u>

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Water Sales	\$ 5,784,458	\$ 5,622,671
Water Tap Fees	226,593	208,438
Service Charges	100,575	103,310
Penalty Charges	78,889	67,917
Sewer Billing Fees	119,979	110,179
Other	169,935	125,774
Total Operating Revenues	<u>6,480,429</u>	<u>6,238,289</u>
Operating Expenses:		
Personal Services and Benefits	1,859,577	1,697,416
Bad Debts	18,569	24,001
Bank Fees	159,686	127,233
Contractual Services	296,912	354,059
Depreciation	1,226,392	1,220,571
Insurance	131,842	170,618
Office Expense	174,666	174,772
Repairs and Maintenance	296,220	534,162
Supplies	107,833	93,512
Utilities	356,090	355,952
Vehicle Expense	75,853	61,627
Total Operating Expenses	<u>4,703,640</u>	<u>4,813,923</u>
Operating Income	1,776,789	1,424,366
Nonoperating Revenues (Expenses):		
Interest Income	36,463	4,614
Interest Expense	(558,294)	(605,796)
Gain (Loss) on Disposal of Assets	38,178	(27,758)
Other Income	456,136	174,905
Other Expense	-	(1,265)
Total Nonoperating Revenues (Expenses)	<u>(27,517)</u>	<u>(455,300)</u>
Change in Net Position	1,749,272	969,066
Net Position - Beginning of Year	<u>17,188,249</u>	<u>16,219,183</u>
Net Position - End of Year	<u>\$ 18,937,521</u>	<u>\$ 17,188,249</u>

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 6,547,469	\$ 6,006,032
Cash Payments to Suppliers for Goods and Services	(1,178,037)	(1,879,872)
Cash Payments to Employees for Services and Benefits	(1,867,923)	(1,673,130)
Other Receipts (Payments)	456,136	173,640
Net Cash Provided by Operating Activities	<u>3,957,645</u>	<u>2,626,670</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,886,703)	(1,274,678)
Proceeds from Sale of Assets	40,622	24,790
Interest Expense Paid that was Capitalized	(67,717)	(21,482)
Interest Expense Paid on Bonds Not Capitalized	(489,750)	(548,763)
Proceeds from Issuance of Debt	1,732,048	540,140
Principal Repayment on Debt	(1,674,000)	(1,606,000)
Net Receipts from Customer Deposits	65,600	26,728
Net Cash Used in Capital and Related Financing Activities	<u>(2,279,900)</u>	<u>(2,859,265)</u>
Cash Flows from Investing Activities:		
Interest Income Received	36,463	4,614
Net Cash Provided by Investing Activities	<u>36,463</u>	<u>4,614</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,714,208	(227,981)
Cash and Cash Equivalents, Beginning of Year	<u>5,557,574</u>	<u>5,785,555</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,271,782</u>	<u>\$ 5,557,574</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating Income	\$ 1,776,789	\$ 1,424,366
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,226,392	1,220,571
Provision for Bad Debt	18,569	24,001
Miscellaneous Revenues less Expenses	456,136	173,640
(Increase) Decrease in Accounts Receivable	216,312	(314,386)
(Increase) Decrease in Unbilled Receivable	(49,158)	39,085
(Increase) Decrease in Other Receivable	11,661	(11,661)
(Increase) Decrease in Due from Other Governments	(111,775)	54,705
(Increase) Decrease in Inventory	25,754	48,294
(Increase) Decrease in Prepaid Insurance	3,954	22,687
Increase (Decrease) in Accounts Payable	324,088	(78,918)
Increase (Decrease) in Compensated Absences	(665)	6,357
Increase (Decrease) in Accrued Expenses	(7,681)	17,929
Increase (Decrease) in Due to Other Governments	67,269	-
Net Cash Provided by Operating Activities	\$ 3,957,645	\$ 2,626,670
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Advanced Refunding Difference	\$ 63,847	\$ 63,245
Reconciliation of Cash and Cash Equivalents to the		
Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	\$ 2,136,870	\$ 566,584
Cash and Cash Equivalents, Restricted	5,134,912	4,990,990
Total Cash and Cash Equivalents	\$ 7,271,782	\$ 5,557,574

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(1) **Organization, Nature of Operations, and Summary of Significant Accounting Policies -**

A. Organization and Nature of Operations

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana was created by the Livingston Parish Council on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et.seq., of the Louisiana Revised Statutes of 1950.

The District is located in rural Livingston Parish, Louisiana. The purpose of the District is to provide water to customers within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves approximately one third of Livingston Parish. The areas of service are in the western portion of the parish, north of Florida Boulevard and a small area south of Florida Boulevard between Denham Springs and Walker. The District has thirty-three full time and one part time employees. As of December 31, 2017 there were 20,330 metered customers, representing an increase in customers of 433 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

B. Financial Reporting Entity

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council.

The accompanying financial statements present information only on the activities and the fund maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Governmental Accounting Standards Board (GASB) Statement 61.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The statement of revenues, expenses and changes in net position includes all charges for services and costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

D. Deposits and Investments

The District's 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. State law and the District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

E. Inventories

Inventory held primarily consists of supplies for system maintenance and is valued at cost using the first-in / first-out method. Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2017.

G. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, including receivables reported as due from other government, are classified as restricted assets because their use is limited by applicable bond covenants or to ongoing construction projects funded by the bonds. In addition, certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 40
Machinery and Equipment	5 to 10
Furniture and Fixtures	5 to 10
Vehicles	5
Utility System	40

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

J. Accumulated Unpaid Vacation and Sick Pay

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. At termination or retirement only unused vacation time can be paid to the employee. As a result, only the amount of unused vacation time is accrued in the District's basic financial statements.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, Accounting for Compensated Absences, no liability has been accrued for unused employee sick leave.

K. Long-Term Obligations

Long-term liabilities are recognized within the Proprietary Fund. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. Prepaid insurance costs related to debt issuance is reported as an asset and recognized over the life of the related debt.

L. Net Position

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net position, the difference between the District's assets, deferred outflows of resources, and liabilities, into three components, as described below:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

M. Summary Financial Information for 2016

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(2) **Cash and Cash Equivalents -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments at December 31, 2017:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	2,932,858	2,965,996
Restricted Cash Held in Bank Trust Accounts	<u>4,337,924</u>	<u>4,337,925</u>
	<u>\$7,271,782</u>	<u>\$7,303,921</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2017, none of the District's bank balance of \$7,303,921 was exposed to custodial credit risk.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(3) Receivables -

The following is a summary of receivables at December 31, 2017:

Accounts Receivable:	
Current	\$ 395,156
31-60 Days Past Due	5,441
Over 60 Days Past Due	41,135
Subtotal	<u>441,732</u>
Less: Allowance for Uncollectible Accounts	<u>(41,716)</u>
Net Accounts Receivable	<u>\$ 400,016</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for uncollectible accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled \$18,569 for the year ended December 31, 2017.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the year. At December 31, 2017, accrued amounts were \$264,240.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(4) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2017 is as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Capital Assets not being Depreciated:				
Land	\$ 553,594	\$ -	\$ -	\$ 553,594
Construction in Progress	958,903	1,991,077	(2,949,980)	-
Total Capital Assets not being Depreciated	1,512,497	1,991,077	(2,949,980)	553,594
Capital Assets being Depreciated:				
Buildings and Improvements	974,108	-	-	974,108
Equipment	1,465,759	12,115	(164,419)	1,313,455
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	500,232	-	(64,042)	436,190
Utility System	41,832,631	3,106,484	-	44,939,115
Total Capital Assets being Depreciated	44,814,295	3,118,599	(228,461)	47,704,433
Less Accumulated Depreciation for:				
Buildings and Improvements	219,690	25,250	-	244,940
Equipment	1,113,335	68,945	(164,419)	1,017,861
Furniture and Fixtures	27,118	2,639	-	29,757
Vehicles	309,779	66,190	(61,600)	314,369
Utility System	13,391,688	1,063,368	-	14,455,056
Total Accumulated Depreciation	15,061,610	1,226,392	(226,019)	16,061,983
Total Capital Assets being Depreciated, Net	29,752,685	1,892,207	(2,442)	31,642,450
Total Capital Assets, Net	\$ 31,265,182	\$ 3,883,284	\$ (2,952,422)	\$ 32,196,044

Depreciation expense for the year ended December 31, 2017 was \$1,226,392.

Total construction period interest costs of \$67,717 were capitalized in 2017.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(5) Short-Term Debt -

On April 21, 2009, the District adopted a resolution granting preliminary authorization to proceed with the issuance of not exceeding Twenty Million and no/100 dollars (\$20,000,000) in aggregate amount of water revenue bonds. Based on the cost analysis provided by the District's consulting engineer, the Board determined that the Bonds should be issued in an amount not to exceed Twelve Million and no/100 Dollars (\$12,000,000) and that the placement of the bonds under the Program with the Louisiana Department of Health and Hospitals (DHH) was the most cost-effective financing option for the District. On July 26, 2010, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, the maximum sum of Four Million Dollars (\$4,000,000). Construction was finalized during 2012 and the loan was converted to a bond payable and is referred to as Waterworks Revenue Bonds, Series 2010A issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year.

On June 1, 2011, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, an additional maximum sum of Eight Million Dollars (\$8,000,000). Once construction is finalized, the loan will be converted to a bond payable and referred to as Waterworks Revenue Bonds, Series 2011 issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year. The final bond payment schedule will be revised by DHH after final payment of the bonds to the District. In the Loan and Pledge Agreement under section 3.02, it states that upon the payment of each principal draw on the loan, and without any further action on the part of the DHH or the District, thirty percent (30%) of the principal amount of each such draw on the loan shall immediately and irrevocably be deemed to be forgiven by the DHH, up to a maximum amount of principal forgiveness of \$1,125,000, and no interest shall accrue on the principal amount that is so forgiven. During 2013, the District met the maximum amount of principal forgiveness.

For the year ended December 31, 2017, the Series 2011 project is not complete, with total bond proceeds received net of principal forgiven reported as Bond Anticipation Note Payable with a balance of \$5,866,680. The remaining funds are expected to be utilized during 2018.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(6) Long-Term Debt -

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

Description	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 36,000	\$ -	\$ (36,000)	\$ -	\$ -
2010A DHH Bonds	3,116,000	-	(190,000)	2,926,000	194,000
2012A Revenue Bonds	3,455,000	-	(545,000)	2,910,000	555,000
2012B Revenue Bonds	3,715,000	-	(330,000)	3,385,000	340,000
2012D Revenue Bonds	5,835,000	-	(380,000)	5,455,000	395,000
Total Long-Term Debt	<u>\$ 16,157,000</u>	<u>\$ -</u>	<u>\$ (1,481,000)</u>	<u>\$ 14,676,000</u>	<u>\$ 1,484,000</u>

1977 General Obligation Bonds:

The \$650,000 bonds were issued on November 11, 1977, and are due to the United States Department of Agriculture, Rural Development Service with semi-annual payment installments including principal and interest at 5% through September 1, 2017.

2010 Waterworks System Revenue Bonds:

The \$4,000,000 bonds were issued on July 26, 2010, and are due to the Louisiana Department of Health and Hospitals with semi-annual payment installments including principal, interest at 2.95% and a DEQ .5% administrative fee through April 1, 2030. The bonds were issued through the Louisiana Department of Health and Hospitals through the Drinking Water Revolving Loan Fund to fund the waterworks expansion project. The debt service requirements to maturity for the 2010 Waterworks System Revenue Bonds are as follows:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2018	\$ 194,000	\$ 83,426	\$ 14,145	\$ 291,571
2019	199,000	77,629	13,162	289,791
2020	204,000	71,685	12,155	287,840
2021	209,000	65,593	11,122	285,715
2022	214,000	59,354	10,065	283,419
2023 to 2027	1,148,000	197,945	33,563	1,379,508
2028 to 2030	758,000	33,881	5,743	797,624
	<u>\$2,926,000</u>	<u>\$ 589,513</u>	<u>\$ 99,955</u>	<u>\$3,615,468</u>

2012A, 2012B, and 2012C Water Revenue Refunding Bonds:

On June 29, 2012, the District issued \$5,355,000 Series 2012A, \$4,540,000 Series 2012B, and \$470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds, interest and administrative fees. The District refunded the Series 2000 and Series 2005 bonds to decrease total debt service payments over the next 14 years by \$728,956 and to obtain an economic gain of \$628,526.

The Series 2012A bonds have semi-annual payment installments including principal and interest at 2.285% through April 1, 2022. The Series 2012B bonds have semi-annual payment installments including principal and interest at 2.563% through April 1, 2026. The Series 2012C bonds had semi-annual payment installments including principal and interest at 2.75% through April 1, 2014.

The debt service requirements to maturity for these Water Revenue Refunding Bonds are as follows:

<u>Series 2012A Water Revenue Refunding Bonds</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 555,000	\$ 60,153	\$ 615,153
2019	570,000	47,300	617,300
2020	580,000	34,161	614,161
2021	595,000	20,736	615,736
2022	610,000	6,969	616,969
	<u>\$2,910,000</u>	<u>\$ 169,319</u>	<u>\$ 3,079,319</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Series 2012B Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 340,000	\$ 82,400	\$ 422,400
2019	350,000	73,558	423,558
2020	355,000	64,524	419,524
2021	365,000	55,297	420,297
2022	375,000	45,814	420,814
2023 to 2026	1,600,000	83,297	1,683,297
	<u>\$3,385,000</u>	<u>\$ 404,890</u>	<u>\$ 3,789,890</u>

2012D Water Revenue Refunding Bonds:

On June 29, 2012, the District issued \$6,725,000 Series 2012D Water Revenue Refunding Bonds for the purpose of refunding \$5,915,000 of the outstanding balance of the Series 2004 Waterworks System Revenue Parity Bonds and interest and redemption premium associated with the Series 2004 Bonds. The net proceeds of \$6,579,468 (after payment of \$191,791 in cost of issuance) plus an additional \$47,816 of the sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, \$5,915,000 of the 2004 Series Bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books. The \$5,915,000 of defeased bonds were paid off during 2014.

The Series 2012D bonds have semi-annual payment installments including principal and interest at 2.585% through April 1, 2029. The debt service requirements to maturity for the Series 2012D bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 395,000	\$ 135,906	\$ 530,906
2019	405,000	125,566	530,566
2020	415,000	114,968	529,968
2021	425,000	104,111	529,111
2022	435,000	92,996	527,996
2023 to 2027	2,350,000	287,969	2,637,969
2028 to 2029	1,030,000	26,755	1,056,755
	<u>\$5,455,000</u>	<u>\$ 888,271</u>	<u>\$ 6,343,271</u>

The advance refunding of the Series 2004 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$710,232 which was deferred and is being amortized over the life of the new bonds. The difference is reported in the accompanying financial

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

statements as a deferred outflow of resources and is being charged to operations as a component of interest expense. The District refunded the Series 2004 bonds to decrease total debt service payments over the next 17 years by \$585,966 and to obtain an economic gain of \$480,303.

Deferred Amount on Prior Advanced Refunding:

On April 1, 1994, the District issued \$4,225,000 in Waterworks Revenue Bonds with an average interest rate of 5.8 percent to advance refund \$1,820,000 of outstanding 1989 series bonds with an average interest rate of 8.6 percent. The District purchased U.S government securities valued at \$2,063,413 and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,820,000 of 1989 series bonds. As a result, \$1,820,000 of the 1989 series bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. Further, on April 1, 2004, the District issued the 2004 Waterworks System Revenue Parity Bonds for \$8,250,000 that paid \$3,165,000 for the redemption of 1994 Waterworks Revenue Bonds.

The 1994 advance refunding of the 1989 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,288. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2019 as a component of interest expense using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by \$187,383 and to obtain an economic gain of \$115,345.

Debt Service Requirements to Maturity:

The annual requirements to amortize all long term debt outstanding as of December 31, 2017 including expected interest payments of \$2,051,993 and administration fees of \$99,955 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Administration Fee</u>	<u>Total</u>
2018	\$ 1,484,000	\$ 361,885	\$ 14,145	\$ 1,860,030
2019	1,524,000	324,053	13,162	1,861,215
2020	1,554,000	285,338	12,155	1,851,493
2021	1,594,000	245,737	11,122	1,850,859
2022	1,634,000	205,133	10,065	1,849,198
2023 to 2027	5,098,000	569,211	33,563	5,700,774
2028 to 2030	1,788,000	60,636	5,743	1,854,379
	<u>\$ 14,676,000</u>	<u>\$ 2,051,993</u>	<u>\$ 99,955</u>	<u>\$ 16,827,948</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(7) Deferred Outflows of Resources -

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refundings resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At December 31, 2017, the District had a deferred amount on refunding of debt of \$595,429 which is comprised of \$26,562 for the 1994 advanced refunding and \$568,867 for the 2012 advanced refunding of debt.

(8) Long-Term Debt Restricted Assets and Bond Covenant Requirements -

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2017. As of December 31, 2017, debt covenants relate to existing parity bonds, consisting of the 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds. The District’s compliance with bond covenants as of December 31, 2017, related to required deposits, is detailed below and is followed first by a narrative description of the related bond deposit requirements, and secondly by a description of compliance to bond rate covenants, referenced as “Bond Debt Coverage Ratio”, requiring that revenues of the District be sufficient to cover the operating and maintenance and debt service requirements of the outstanding bonds.

	Sinking Fund	Reserve Fund	Renewal and Replacement Fund	Total
Required Balance	\$ 1,374,532	\$ 2,331,474	\$ 500,000	\$ 4,206,006
Current Reserved Amount	1,499,679	2,333,914	504,331	4,337,924
Amount Over (Under) Funded	\$ 125,147	\$ 2,440	\$ 4,331	\$ 131,918

Sinking Fund Requirements

Bond covenants require the maintenance of a separately identifiable fund or account designated as the “Sinking Fund” into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the “Bonds and the Parity Obligations” as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20th day of each month of each year a sum equal to 1/6 of the interest and administrative fee falling due on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal falling

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

due on the Bonds on any principal date within the next twelve months, together with any proportionate monthly sum as may be required to pay said principal, interest, and administrative fee as they become due. The bond covenants language and requirements apply to existing Parity obligations, including the 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds.

At December 31, 2017, the District Sinking Fund bond deposits requirements were over funded by \$125,147 for the 2010, 2012A, 2012B, and 2012D bond issues. The District made the required installments for the year ended December 31, 2017.

Bond Reserve Fund

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the "Reserve Fund" into which is to be deposited monthly, on or before the 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds (the "Reserve Fund Requirement"), 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds and any additional Parity Obligations hereafter issued. The 2012 Water Revenue Refunding Bonds were issued in parity with existing bond obligations and bond covenants specify that the payments to the Reserve Fund shall be increased or otherwise adjusted to the amounts as will assure that there will be accumulated in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of such additional parity obligations an amount of money equal to the Reserve Fund Requirement. The District chose to increase monthly payments over 5 years to fund the increased installment requirements for the 2012 Water Revenue Refunding bonds. At December 31, 2017, the District maintained a balance of \$2,333,914 which was \$2,440 more than the bond deposit requirements at year end. Bond covenants require that the monies in the Reserve Fund be retained solely for the purpose of paying the principal of and interest on the Bonds payable as to which there would otherwise be default.

Renewal and Replacement Fund

The Renewal and Replacement Fund is established pursuant to the 2004 Bond Resolution, and is restated in 2012 Water Revenue Refunding bonds' Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is established to pay for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Revenue Fund to the Renewal and Replacement Fund monthly on or before the twentieth day of each month of each year, a sum equal to five percent of the Gross Revenues of the System for the preceding month, provided that such sum is available after provisions are made for the payments required. Such payments to the Renewal and Replacement Fund shall continue until such time as

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

there has been accumulated in said Fund the sum of \$500,000 (the “Renewal and Replacement Fund Requirement”), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

In addition to caring for extensions, additions, improvements, renewal and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal of and the interest on the Bonds and the Outstanding Parity Bonds, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund and any Parity Obligations issued hereafter in the manner provided by the Bond Resolution for the payment of which there is not sufficient money in the Sinking fund and Reserve Fund , but the money in said Renewal and Replacement Fund shall not be used for the making of improvements and extensions to the System (other than emergency repairs or replacements) or for the payment of principal of or interest on the Bonds or the Outstanding Parity Bonds if the use of said money will leave in the said Renewal and Replacement Fund for the making of emergency repairs or replacement less than the sum of ten percent of the Renewal and Replacement Fund Requirement.

For the year ended December 31, 2017, the Renewal and Replacement Fund was fully funded with a balance of \$504,331.

Bond Debt Coverage Ratio

Bond covenants of the outstanding parity obligations require the District to fix, establish, levy and collect, so long as any principal and interest is unpaid on the Bonds and any Parity Obligations, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to pay operations and maintenance expenses in each fiscal year and provide net revenues in each fiscal year in an amount equal to at least one hundred twenty-five percent of the required deposits to the Sinking Fund established in the Series 2004 Bond Resolution, Series 2010 Bond Resolution, Series 2012 Bond Resolution and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including Series 2004 bonds, Series 2010 bonds and Series 2012 bonds exceeded the 125 percent ratio for the year ended December 31, 2017.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(9) Restricted and Designated Net Position -

At December 31, 2017, the District recorded \$4,450,751 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

(10) Risk Management -

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There have been no significant decreases in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

(11) Litigation -

There is no outstanding litigation at December 31, 2017 for Ward Two Water District of Livingston Parish for which the District would expect an unfavorable outcome.

(12) Compensated Absences and Retirement Plan -

At December 31, 2017, the employees of the District have accumulated and vested \$52,868 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District does not belong to a retirement system; however, the District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 3 percent. The District contributed \$48,465 into the 457(b) plan during 2017. Under the 457(b) plan, the District's contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(13) Compensation Paid to Board Members -

Compensation paid to the board members for 2017 were as follows:

<u>Name / Contact Number</u>	<u>Title</u>	<u>Address and Telephone</u>	<u>Compensation Received</u>
Theodore Graham (225) 664-9189	President	33550 Cane Market Road Walker, LA 70785	\$ 1,100
John Easterly (225) 665-9794	Vice-President	37917 Louisiana Highway 16 Denham Springs, LA 70706-0334	1,100
Stanley Spillman (225) 665-2669	Secretary - Treasurer	P.O. Box 692 Watson, LA 70786	1,200
Shyrl Westmoreland (225) 664-2597	Board Member	29709 Bickford Lane Denham Springs, LA 70726	1,000
Jimmie McCoy (225) 665-3596	Board Member	37375 Louisiana Highway 16 Denham Springs, LA 70706-0326	1,000
			<u>\$ 5,400</u>

Board members serve continuous terms per Livingston Parish Council appointment and approval.

(14) Schedule of Compensation, Benefits and Other Payments to Agency Head -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Theodore Graham, the District's Board President, who was the acting agency head for the year ended December 31, 2017:

Agency Head Name: Theodore Graham, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits- health insurance	15,047
Benefits-retirement	-
Benefits- life insurance	47
Benefits- vision insurance	132
Per diem	1,100
Reimbursements	-
	<u>\$ 16,326</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(15) Current Accounting Pronouncements -

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Management is currently evaluating the effects of each of the new GASB pronouncements.

(16) Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 19, 2018, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	\$ 5,520,000	\$ 5,900,000	\$ 5,784,458	\$ (115,542)
Water Tap Fees	205,500	231,000	226,593	(4,407)
Service Charges	110,000	110,000	100,575	(9,425)
Penalty Charges	95,000	80,000	78,889	(1,111)
Sewer Billing Fees	111,500	111,500	119,979	8,479
Other	117,500	144,000	169,935	25,935
Total Operating Revenues	6,159,500	6,576,500	6,480,429	(96,071)
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,250,000	1,260,000	1,259,884	116
Director's Fees	7,000	5,400	5,400	-
Employee Benefits and Payroll Taxes	501,000	611,000	594,293	16,707
	1,758,000	1,876,400	1,859,577	16,823
Bad Debts	3,000	3,000	18,569	(15,569)
Bank Card Charges and Fees	125,000	167,000	159,686	7,314
Contractual Services:				
Meter Reading	173,000	175,000	177,332	(2,332)
Professional Fees	200,000	105,000	80,330	24,670
Telemetry	40,000	40,000	39,250	750
	413,000	320,000	296,912	23,088
Depreciation	1,200,000	1,215,000	1,226,392	(11,392)
Insurance	170,000	170,000	131,842	38,158
Office Expense:				
Advertising	3,000	3,000	1,980	1,020
Computer and Printer Supplies	55,000	55,000	61,810	(6,810)
Miscellaneous	25,000	22,000	15,674	6,326
Postage	100,000	100,000	95,202	4,798
	183,000	180,000	174,666	5,334
Repairs and Maintenance	580,000	305,000	296,220	8,780
Supplies:				
Chlorination	60,000	50,000	47,054	2,946
Miscellaneous	20,000	20,000	30,290	(10,290)
Supplies	32,000	28,000	30,489	(2,489)
	112,000	98,000	107,833	(9,833)

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Expenses (Continued):				
Utilities:				
Utilities	310,000	310,000	309,136	864
Telephone	40,000	44,000	46,954	(2,954)
	<u>350,000</u>	<u>354,000</u>	<u>356,090</u>	<u>(2,090)</u>
Vehicle Expense	<u>100,000</u>	<u>82,000</u>	<u>75,853</u>	<u>6,147</u>
Total Operating Expenses	<u>4,994,000</u>	<u>4,770,400</u>	<u>4,703,640</u>	<u>66,760</u>
Operating Income	1,165,500	1,806,100	1,776,789	(29,311)
Nonoperating Revenues (Expenses):				
Interest Income	4,000	5,000	36,463	31,463
Interest Expense	(535,000)	(625,000)	(558,294)	66,706
Gain (Loss) on Disposal of Assets	-	40,600	38,178	(2,422)
Other Income	86,500	246,500	456,136	209,636
Total Nonoperating Revenues (Expenses)	<u>(444,500)</u>	<u>(332,900)</u>	<u>(27,517)</u>	<u>305,383</u>
Change in Net Position	721,000	1,473,200	1,749,272	276,072
Net Position - Beginning of Year	<u>17,188,249</u>	<u>17,188,249</u>	<u>17,188,249</u>	<u>-</u>
Net Position - End of Year	<u>\$ 17,909,249</u>	<u>\$ 18,661,449</u>	<u>\$ 18,937,521</u>	<u>\$ 276,072</u>

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Policy Period</u>
Arch Insurance Policy Number GWPKG0122706	Commercial Package Policy: Property and Inland Marine Coverage Real and Personal Property Owned Mobile Equipment Owned Property Deductible per occurrence Inland Marine Deductible per occurrence General Liability Bodily Injury and Property Damage Per Occurrence Aggregate Personal Injury and Advertising Injury Per Person or Organization Aggregate Professional Liability Per Claim Aggregate Deductible per error or omission Wrongful Acts Per Claim Aggregate Deductible per wrongful act Employee Benefits Liability Per Person Aggregate Damage to Premises Rented Any One Premises Employee Practices Liability Per Claim Aggregate Crime Coverage Employee Dishonesty (\$1,000 Deductible) Forgery and Alteration (\$1,000 Deductible) Theft Disappearance and Destruction Inside (\$1,000 Deductible) Outside (\$1,000 Deductible) Computer Fraud (\$1,000 Deductible)	Per Schedule on File Per Schedule on File 2,500 1,000 1,000,000 3,000,000 1,000,000 3,000,000 1,000,000 3,000,000 1,000 1,000,000 3,000,000 1,000 1,000,000 3,000,000 100,000 1,000,000 3,000,000 1,000,000 100,000 50,000 50,000 50,000	10/31/2017 to 10/31/2018

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Arch Insurance (Continued)			
Policy Number	Automobile Coverage		10/31/2017 to
GWFXS0122706	Physical Damage	Per Schedule on File	10/31/2018
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Excess Insurance Coverage		
	Any One Occurrence Limit	4,000,000	
	Annual Aggregate Limit	4,000,000	
Travelers Casualty and Surety Insurance Company	Cyber Coverage w/Identity Fraud Expense Reimbursement		10/31/2017 to 10/31/2018
Policy Number 105699834	Network & Information / Security Limit of Liability	1,000,000	
	Communication and Media Limit of Liability	500,000	
	Regulatory Defense Expenses Limit of Liability	500,000	
	Crisis Management Event Expenses	250,000	
	Security Breach Remediation & Notification Expense	250,000	
	CyberRisk Policy Aggregate Retention	1,000,000 2,500	
Louisiana Workers Compensation Corporation	Workers Compensation Insurance State of Louisiana Coverage Only		10/31/2017 to 10/31/2018
Policy Number 77205-B	Employers Liability Insurance		
	Bodily Injury by Accident - Each Accident	1,000,000	
	Bodily Injury by Disease - Policy Limit	1,000,000	
	Bodily Injury by Disease - Each Employee	1,000,000	

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF WATER RATES, TAP FEES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Fees	Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 13.50	3/4" Tap	\$ 385
Per Next 1,000 Gallons of Water up to 3,000 Gallons	2.52	1" Tap	\$ 560
Per Next 1,000 Gallons of Water up to 5,000 Gallons	2.12	1 1/2" Tap	\$ 650
Per Next 1,000 Gallons of Water over 10,000 Gallons	1.37	2" Tap	\$ 700
		4" Tap	Varies
Customers			
Residential	19,066		
Nonresidential	1,264		
Total Customers	<u>20,330</u>		

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31,2017

<u>Federal Grantor/ Pass - Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>United States Environmental Protection Agency</u>			
Passed Through Louisiana Department of Health and Hospitals: Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	\$ <u>1,914,034</u>
Total United States Environmental Protection Agency			\$ <u>1,914,034</u>
<u>United States Department of Homeland Security</u>			
Passed Through Louisiana Governor's Office of Homeland Security and Emergency Preparedness: Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$ <u>210,822</u>
Total United States Department of Homeland Security			<u>210,822</u>
Total Expenditures of Federal Awards			<u>\$2,124,856</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Note A - Significant Accounting Policies -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ward Two Water District of Livingston Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note B - Indirect Cost Rate Election -

The District did not elect to use the 10% de minimis indirect cost rate during the year ended December 31, 2017.

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

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

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, 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 the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 19, 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

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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 result 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; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 19, 2018

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

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Ward Two Water District of Livingston Parish's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2017. The District's major federal program is 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

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 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 Uniform Guidance require that we 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Ward Two Water District of Livingston Parish complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the District 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, we considered the District's 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, we do not express an opinion on the effectiveness of the District's 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 19, 2018

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

A. As required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the following is a summary of the results of our audit:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None Reported
- Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes x No

- The following program was tested as a Type "A" major program:

Federal Grantor/ Pass - Through Grantor/ <u>Program Name</u>	<u>CFDA Number</u>
<u>United States Environmental Protection Agency</u> Passed Through Louisiana Department of Health and Hospitals: Capitalization Grants for Drinking Water State Revolving Funds	66.468

- The threshold for distinguishing Types A and B programs was \$750,000
- The District was determined to be a high-risk auditee.

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

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

DECEMBER 31, 2017

DENHAM SPRINGS, LOUISIANA

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana

We have performed the procedures enumerated below, which were agreed to by Ward Two Water District of Livingston Parish (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 January 1, 2017 through December 31, 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. – **No Exceptions.**
 - 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. – **No Exceptions.**
 - c) ***Disbursements***, including processing, reviewing, and approving – **No Exceptions.**
 - d) ***Receipts***, including receiving, recording, and preparing deposits – **No Exceptions.**

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**
- 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. – **No Exceptions.**
- 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. – **No Exceptions.**
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Exception – The District does have written policies and procedures but the written policies do not address dollar thresholds by category of expense. However the District's written policies and procedures defines a \$1,000 limit per travel and expense reimbursement request (for all expense categories), but does not address dollar thresholds by category of expense.

- 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.

Exception – The District does have written policies and procedures but written policies do not require that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. However, the District's written policies and procedures requires employees to read the District's ethics policy and sign an acknowledgement form at time of hire and when the District has an update to the personnel manual (which includes the District's ethics policy).

- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions.**

Board (or Finance Committee, if applicable)

- 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. – **No Exceptions.**
 - 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). – **No Exceptions.** Budget-to-actual comparisons are provided to board members and management and are referenced in the minutes.
 - (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. – **No Exceptions.**

- 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. – **No Exceptions.**

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management’s representation that the listing is complete. – **No Exceptions.**
- 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. 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. - **No Exceptions.**
 - 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.

Exception – We noted bank reconciliations for four bank accounts that we tested did not have any evidence of management or board member approval during the fiscal year.

Also, we noted for one additional bank account that we tested did not have evidence of management or board member approval during the fiscal year from January 1, 2017 through October 31, 2017. However, in November 2017 the District adopted a new policy requiring board member approval of this specific bank account’s monthly bank reconciliations. During testing HTB sighted board member approval of this bank account’s November 2017 and December 2017 bank reconciliations.

- 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.

Exception – We noted one bank account’s reconciliations that we tested that included reconciling items more than 6 months old. In communicating with the employees responsible for the reconciliations, they indicated that they had researched the items and provided verbal explanations on the items but no written documentation was provided.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management’s representation that the listing is complete. – **No Exceptions.**
- 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. **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. – **No Exceptions.**

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. – **No Exceptions.**

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. – **No Exceptions.**

(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. – **No Exceptions.**

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. – **No Exceptions.**

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. – **No Exceptions.**

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. – **No Exceptions.**

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase. – **No Exceptions.**

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. – **No Exceptions.**

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.

Exception – We noted the same District employee processes payments and adds vendors to the District's purchasing/disbursement system. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's 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. – **No Exceptions.**

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. – **No Exceptions.**

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. – **No Exceptions**

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. – **No Exceptions.**

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.]. – **No Exceptions.**

b) Report whether finance charges and/or late fees were assessed on the selected statements. – **No Exceptions.**

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).

c) 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.).

Exceptions – Of the 10 cards tested, we noted seven fuel cards with 13 or more monthly transactions that were not supported by an itemized receipt for the month selected for testing during the current fiscal period. When fuel is purchased, employees are required to enter a pin number, mileage, vehicle number, etc. in order to initiate the purchase. The District receives a detailed monthly invoice recapping purchases for the month by card, vehicle, etc., and it is reviewed by management. The District adopted a new policy in November 2017 requiring drivers to turn in receipts for all fuel purchases to the administration department.

d) 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 Exceptions.**

e) 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. – **No Exceptions.**

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. – **No travel and related expense reimbursements during the current fiscal period.**

18. 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.

Exception – The District does have written policies and procedures but the written policies do not address dollar thresholds by category of expense. However the District's written policies and procedures defines a \$1,000 limit per travel and expense reimbursement request (for all expense categories), but does not address dollar thresholds by category of expense.

19. 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. – **Not Applicable.**

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.] – **Not Applicable.**

(2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating). – **Not Applicable.**

(3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance). – **Not Applicable.**

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. – **Not Applicable.**

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **Not Applicable.**

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. – **No Exceptions.**

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.**

- 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:
- (4) 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) – **Contracts are subject to the LA Public Bid Law and appeared to comply with all legal requirements.**
 - (5) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. – **No Exceptions.**
- 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.

Contract	Original Contract Date and Amount	Change Order # 1 Date and Amount	Change Order # 2 Date and Amount
Number 1	December 3, 2015	July 19, 2016	August 24, 2017
	585,000.00	18,431.00	152,668.00
Did original contract provide for such a change order?		Yes	Yes

- 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. – **Complied with terms and conditions of 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). – **The District reviews and approves contracts.**

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:
- 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. – **No Exceptions.**
 - 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. – **No Exceptions.**

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.).
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Exception – We noted 3 of 25 employees selected for testing did not have proper written leave records for supervisor approval maintained by the District for earned leave time taken for the pay period selected for testing as required by the District’s written policies and procedures.

- 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.

Exception – We noted 1 of 25 employees selected for testing did not have proper written leave records maintained by the District for the pay period selected for testing as required by the District’s written policies and procedures.

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 Exceptions.**

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.**

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.**

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 Exceptions.**

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. **No debt issues during the 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. **The District made scheduled debt service payments and maintained debt reserves as required by debt covenants.**
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. **No Exceptions.**

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. – **No Exceptions.**
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.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. – **Notice posted on premises and on 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.**

Management's Response/Corrective Action to Exceptions

The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

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.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 19, 2018

Ward Two Water District of Livingston Parish
P.O. Box 637
Denham Springs, LA 70727-0637

June 19, 2018

Hannis T. Bourgeois, LLP, CPAs
178 Del Orleans Avenue, Suite C
Denham Springs, Louisiana 70726

Ward Two Water District of Livingston Parish
Response to 2017 Financial AUP Exceptons: 2017

The District hereby agrees to refine current procedures or implement written procedures regarding the below noted AUP exceptions:

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

Exception – The District does have written policies and procedures but the written policies do not address dollar thresholds by category of expense. However the District's written policies and procedures defines a \$1,000 limit per travel and expense reimbursement request (for all expense categories), but does not address dollar thresholds by category of expense.

Management's Response/Corrective Action – The District's management will amend the travel procedures to include dollar threshold amount by category of expense.

- b) ***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.

Exception – The District does have written policies and procedures but written policies do not require that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. However, the District's written policies and procedures requires employees to read the District's ethics policy and sign an acknowledgement form at time of hire and when the District has an update to the personnel manual (which includes the District's ethics policy).

Management's Response/Corrective Action – The District's management will amend the Ethics policy and procedures to include that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Bank Reconciliations

3. 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. 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 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.

Exception – We noted bank reconciliations for four bank accounts that we tested did not have any evidence of management or board member approval during the fiscal year.

Also, we noted for one additional bank account that we tested did not have evidence of management or board member approval during the fiscal year from January 1, 2017 through October 31, 2017. However, in November 2017 the District adopted a new policy requiring board member approval of this specific bank account's monthly bank reconciliations. During testing HTB sighted board member approval of this bank account's November 2017 and December 2017 bank reconciliations.

Management's Response/Corrective Action – The District's management will amend the bank reconciliation procedures to include signature verification from President of Board for monthly review of all District bank account reconciliations.

- b) 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.

Exception – We noted one bank account's reconciliations that we tested that included reconciling items more than 6 months old. In communicating with the employees responsible for the reconciliations, they indicated that they had researched the items and provided verbal explanations on the items but no written documentation was provided.

Management's Response/Corrective Action – The District's management will amend monthly bank reconciliation procedures to include written documentation for District review of reconciling items more than 6 months old.

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

8. 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.

Exception – We noted the same District employee processes payments and adds vendors to the District's purchasing/disbursement system. However, the District's mitigating control is that all disbursements processed by this employee are first reviewed and approved by the board prior to

payment being issued and checks being signed. Also, the employee does not have signatory authority to sign the District's checks.

Management's Response/Corrective Action – The District's management continues to allow same person setting up vendor due to limited number of employees. Accounts Payable employee does not sign checks or authorize purchases. Administrative Director will implement procedure to sign off on all vendor list at month end.

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

14. 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:
- (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.).

Exceptions – Of the 10 cards tested, we noted seven fuel cards with 13 or more monthly transactions that were not supported by an itemized receipt for the month selected for testing during the current fiscal period. When fuel is purchased, employees are required to enter a pin number, mileage, vehicle number, etc. in order to initiate the purchase. The District receives a detailed monthly invoice recapping purchases for the month by card, vehicle, etc., and it is reviewed by management. The District adopted a new policy in November 2017 requiring drivers to turn in receipts for all fuel purchases to the administration department.

Management's Response/Corrective Action – The District's management implemented a fuel card policy to include receipt for all fuel purchases in November 2017.

Travel and Expense Reimbursement

17. 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.

Exception – The District does have written policies and procedures but the written policies do not address dollar thresholds by category of expense. However the District's written policies and procedures defines a \$1,000 limit per travel and expense reimbursement request (for all expense categories), but does not address dollar thresholds by category of expense.

Management's Response/Corrective Action – The District's management will amend policy and procedures to include dollar threshold amount by category of expense.

Payroll and Personnel

22. 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 there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Exception – We noted 3 of 25 employees selected for testing did not have proper written leave records for supervisor approval maintained by the District for earned leave time taken for the pay period selected for testing as required by the District’s written policies and procedures.

Management’s Response/Corrective Action – The District’s management will amend leave request policy and procedures to improve submittal process for employee leave request forms and management’s review/approval of leave request forms to assure proper and complete record retention by the District.

- b) 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.

Exception – We noted 1 of 25 employees selected for testing did not have proper written leave records maintained by the District for the pay period selected for testing as required by the District’s written policies and procedures.

Management’s Response/Corrective Action – The District’s management will amend leave request policy and procedures to improve submittal process for employee leave request forms and management’s review/approval of leave request forms to assure proper and complete record retention by the District.



Theodore Graham
President of Board of Commissioners



Agnes “Cookie” Killcrease
Administrative Director



Barry LeJeune
General Manager