

**WATERWORKS DISTRICT NO. 1**  
**OF ALLEN PARISH**  
Annual Financial Statements  
As of and for the Year Ended June 30, 2018

**WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH**  
Annual Financial Statements  
As of and for the Year Ended June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Waterworks District No. 1 of Allen Parish  
Oakdale, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 1 of Allen Parish, component unit of the Allen Parish Police Jury, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District No. 1 of Allen Parish, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 1's basic financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards are the responsibility of management and was derived from and 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 my opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 11, 2019, on my consideration of the Waterworks District No. 1's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Waterworks District No. 1's internal control over financial reporting and compliance.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 11, 2019

## **FINANCIAL STATEMENTS**

**WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH**  
**A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY**  
**Oakdale, Louisiana**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

**ASSETS**

Current assets:

Cash and cash equivalents	\$	319,182
Certificate of deposit		121,183
Accounts receivables		28,580
Grant receivable		63,710
Interest receivable		3
Prepaid assets		5,799
Restricted assets:		
Customer deposits:		
Cash and cash equivalents		30,150
Debt service:		
Cash and cash equivalents		2,401
Total current assets		<u>571,008</u>

Non-current assets:

Capital assets, at cost, net of accumulated depreciation		<u>2,465,788</u>
Total non-current assets		<u>2,465,788</u>
<b>TOTAL ASSETS</b>		<u><b>3,036,796</b></u>

**LIABILITIES AND NET POSITION**

Current liabilities:

Accounts payable		69,322
Accrued expenses and payroll taxes payable		7,723
Payable from restricted assets:		
Loans payable, current portion		15,398
Customer deposits		30,150
Total current liabilities		<u>122,593</u>

Long-term liabilities:

Loans payable, net of current portion		<u>1,082,973</u>
Total long-term liabilities		<u>1,082,973</u>
<b>TOTAL LIABILITIES</b>		<u><b>1,205,566</b></u>

Net Position:

Net investment in capital assets		2,465,788
Unrestricted		<u>(634,558)</u>
<b>TOTAL NET POSITION \$</b>		<u><b>1,831,230</b></u>

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

**WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH**  
**A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY**  
**Oakdale, Louisiana**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**For the Year Ended June 30, 2018**

**OPERATING REVENUES**

Charges for services	\$	231,867
Total operating revenues		<u>231,867</u>

**OPERATING EXPENSES**

Advertising	1,018
Bank fees	66
Depreciation	18,809
Dues & subscriptions	300
Insurance	10,612
Legal & professional	2,277
Licenses & permits	5,285
Meter reader	1,841
Office	1,094
Operating supplies	3,159
Payroll taxes	4,772
Per diem	3,600
Postage	4,224
Rent	1,213
Repairs & maintenance	5,886
Salaries	66,546
Sales taxes	200
Telephone	3,357
Truck	3,656
Utilities	14,494
Well Expenses	22,002
Total operating expenses	<u>174,411</u>

**OPERATING INCOME (LOSS)** 57,456

**NON-OPERATING REVENUES (Expenses)**

Interest income	38
Grant revenues	815,970
Total non-operating revenues (expenses)	<u>816,008</u>

Change in net position 873,464

**Total net position - beginning** 957,766

**Total net position - ending** \$ 1,831,230

The accompany notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH**  
**A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2018**

Cash Flows from Operating Activities:	
Received from customers and users	\$ 221,159
Payments for supplies and services	(88,923)
Payments to employees	(63,470)
Net Cash Provided by Operating Activities	<u>68,766</u>
Cash Flows from Capital and Related Financing Activities:	
Grant revenues	752,260
Loan proceeds	591,959
Principal payments on loan	(2,629)
Purchases of capital assets	(1,364,265)
Net Cash Provided (Used) from (for) Capital and Related Financing Activities	<u>(22,675)</u>
Cash Flows from Investing Activities:	
Interest received	132
Net Cash Provided (Used) from (for) Investing Activities	<u>132</u>
Net Increase (Decrease) in Cash and Equivalents	46,223
Cash and Cash Equivalents at Beginning of Year	<u>305,510</u>
Cash and Cash Equivalents at End of Year	<u>\$ 351,733</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 57,456
Depreciation	18,809
(Increase) decrease in:	
Receivables - trade	(10,708)
Prepaid expenses	2,753
Increase (decrease) in:	
Accounts payable	3,532
Accrued liabilities	(3,076)
Net Cash Provided by Operating Activities	<u>\$ 68,766</u>
Reconciliation of Total Cash:	
Current assets-cash	\$ 319,182
Restricted assets-cash	<u>32,551</u>
Total Cash	<u>\$ 351,733</u>

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

**NOTES TO FINANCIAL STATEMENTS**

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018

**INTRODUCTION**

The Waterworks District No. 1 of Allen Parish is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statute 33:3811, for the purpose of providing water to the rural area of Northeast Allen Parish. The District is governed by a compensated board of commissioners composed of five members appointed by the Allen Parish Police Jury. The District has five part-time employees.

**Financial Reporting Entity**

This report includes all funds which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, ability to impose a financial benefit/burden, fiscal dependency, and other general oversight responsibility.

Based on the foregoing criteria, Waterworks District No.1 of Allen Parish has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 1 of Allen Parish, Louisiana. The District is a component unit of the Allen Parish Police Jury.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements of the Waterworks District No. 1 of Allen Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Government Audit Guide.

The financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The District has implemented GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- For State and Local Governments*.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. 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.

**B. 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 Waterworks District No. 1 of Allen Parish's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**C. Prepaid Items**

The District records as prepaid expenses amounts paid in the current year that benefit future periods.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Accounts Receivable**

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of June 30, 2018, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Waterworks District No. 1 of Allen Parish maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Building.....	10 years
Distribution system.....	20-40 years
Machinery & equipment.....	5-10 years
Furniture & fixtures.....	5-7 years

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**G. Compensated Absences**

The District's leave policy does not provide for the accumulation and vesting of leave.

**H. Statement of Cash Flows**

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

**I. Net Position**

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 2018, the District has cash and cash equivalents (book balances) totaling as follows:

Demand deposits .....	\$ 351,733
Time deposits .....	121,183
Other .....	-
Total	<u>\$472,916</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned 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. 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. At June 30, 2018, the District has \$473,062 in deposits (collected bank balances). These deposits are secured from risk by \$505,254 of federal deposit insurance and pledged collateral.

**NOTE 3 - FIXED ASSETS**

A summary of fixed assets at June 30, 2018 follows:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets not being depreciated:			
Land	\$ 6,407	\$ -	\$ 6,407
Construction in progress	719,251	1,212,224	1,931,475
Total capital assets not being depreciated	<u>\$ 725,658</u>	<u>\$ 1,212,224</u>	<u>\$ 1,937,882</u>
Capital assets being depreciated:			
Building	\$ 16,040	\$ -	\$ 16,040
Distribution system	814,900	-	814,900
Furniture & fixtures	1,108	-	1,108
Machinery & equipment	67,390	-	67,390
Total capital assets being depreciated	<u>\$ 899,438</u>	<u>\$ -</u>	<u>\$ 899,438</u>
Less accumulated depreciation for:			
Building	\$ 14,650	\$ 879	\$ 15,529
Distribution system	270,043	17,774	287,817
Furniture & fixtures	1,015	85	1,100
Machinery & equipment	67,015	71	67,086
Total accumulated depreciation	<u>\$ 352,723</u>	<u>\$ 18,809</u>	<u>\$ 371,532</u>
Total capital assets being depreciated, net	<u>\$ 546,715</u>	<u>\$ (18,809)</u>	<u>\$ 527,906</u>

Depreciation expense was \$18,809 for the year ended June 30, 2018.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - COMPONENTS OF RESTRICTED ASSETS**

The customer deposit account had a balance of \$30,150 at June 30, 2018. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$30,150 at June 30, 2018.

**NOTE 5 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during the year ended June 30, 2018.

**NOTE 6 - PER DIEM**

LA. Rev. Stat. 33:3819 allows for each commissioner to be paid up to \$60 for each meeting attended up to 24 meetings in each year, and for each special meeting not to exceed 12 special meetings in each year. Commissioners are paid \$60 for each meeting attended.

	<u>Per Diem</u>
Donald Harper, President .....	\$ 720
Randy Welch .....	720
Bruce Wheat .....	720
Richard Hussong .....	720
Ray Rush .....	720
	<u>\$ 3,600</u>

**NOTE 7 - SUBSEQUENT EVENT REVIEW**

The District's management has evaluated subsequent events through the date which the financial statements were available to be issued.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of bond payable transactions of the District for the year ended June 30, 2018:

	<u>Revenue</u>
Outstanding at July 1, 2017	\$ 509,041
Loans issued	591,959
Principal retired	<u>2,629</u>
Outstanding at June 30, 2018	<u>\$ 1,098,371</u>

Long-term debt at June 30, 2018 consists of the following:

Loan payable:

\$1,101,000 Rural Development Loan;  
amended March 3, 2016; Due in monthly installments including interest at  
2.75% of 3,843  
through the year 2057

\$1,098,371

The annual requirements to amortize all debt outstanding as of June 30, 2018, are as follows:

**Revenue Bonds**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,398	\$ 30,718	\$ 46,116
2020	15,827	30,289	46,116
2021	16,268	29,848	46,116
2022	16,721	29,395	46,116
2023	17,187	28,929	46,116
Thereafter	<u>1,016,970</u>	<u>589,404</u>	<u>1,606,374</u>
Total	<u>\$ 1,098,371</u>	<u>\$ 738,583</u>	<u>\$ 1,836,954</u>

OTHER SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH

*Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners*

Year Ended June 30, 2018

Agency Head: Donald Harper, Board President

Purpose	Amount
Commissioner Fees	\$720
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

**WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH**  
**Oakdale, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U.S. Department Of Agriculture:				
Direct programs:				
* Water and Waste Disposal Systems for Rural Communities	10.760	7/1/17 - 6/30/18	\$ 815,970	\$ 815,970
			<hr/>	<hr/>
Total federal assistance			<u>\$ 815,970</u>	<u>\$ 815,970</u>

\*Denotes major program.

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Waterworks District No. 1 of Allen Parish, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance). The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the guidance.

The amounts presented in this schedule do not differ from the amounts presented in or used in the preparation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT SECTION**

# STEVEN M. DEROUEN & ASSOCIATES

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Waterworks District No. 1 of Allen Parish  
Oakdale, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Waterworks District No. 1 of Allen Parish, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 1's basic financial statements and have issued my report thereon dated March 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 1's internal control. Accordingly, I do not express an opinion on the effectiveness of the Waterworks District No. 1'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. See item 2018-001.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 1's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See items 2018-002 and 2018-003.

## **Management Response to Findings**

The Waterworks District No. 1's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Waterworks District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 11, 2019

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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 of Commissioners  
Waterworks District No. 1 of Allen Parish  
Oakdale, Louisiana

### **Report on Compliance for Each Major Federal Program**

I have audited the Waterworks District No. 1 of Allen Parish's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Allen Parish Police Jury's major federal programs for the year ended June 30, 2018. Waterworks District No. 1 of Allen Parish's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Waterworks District No. 1 of Allen Parish's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Waterworks District No. 1 of Allen Parish's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Waterworks District No. 1 of Allen Parish's compliance.

### ***Opinion on Each Major Federal Program***

In my opinion, the Waterworks District No. 1 of Allen Parish, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

Management of the Waterworks District No. 1 of Allen Parish, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Waterworks District No. 1 of Allen Parish'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, I do not express an opinion on the effectiveness of the Waterworks District No. 1 of Allen Parish'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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Steven M. DeRouen & Associates*

Steven M. DeRouen & Associates  
Lake Charles, Louisiana  
March 11, 2019

WATER DISTRICT NO. 1 OF ALLEN PARISH  
 Oakdale, Louisiana  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2018

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	<u>    </u>	Yes	<u>  X  </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>    </u>	No
Noncompliance material to financial statements noted?	<u>  X  </u>	Yes	<u>    </u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	<u>    </u>	Yes	<u>  X  </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>    </u>	Yes	<u>  X  </u>	No
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 Uniform Guidance?	<u>    </u>	Yes	<u>  X  </u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	US Department of Agriculture Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee?      Yes   X   No

WATER DISTRICT NO. 1 OF ALLEN PARISH  
Oakdale, Louisiana  
Schedule of Findings and Responses  
For the Year Ended June 30, 2018

**2018 - 001 Segregation of Duties**

Condition: There is an inadequate segregation of duties at the District to provide effective internal control. The District employs a small number of people involved in day-to-day operations.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: None

Response: Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

**2018 - 002 Late Filing of Audit Report**

Condition: The audit report was due by December 31, 2018. The report was filed on March 12, 2019. The required information to complete the audit was not provided in a timely manner necessary to complete the engagement by the due date.

Response: Management will monitor this situation and communicate with the auditor on a more timely basis.

**2018 - 003 USDA Loan Covenants**

Condition: The loan agreement with USDA requires certain reserve accounts to be funded based on pre-determined amounts, beginning September 2017. The District did not meet those requirements during FYE June 2018.

Response: Management will monitor this situation and make the required deposits into the debt reserve accounts per the loan agreement with USDA.

WATER DISTRICT NO. 1 OF ALLEN PARISH  
Oakdale, Louisiana Status of Prior Year Findings  
For the Year Ended June 30, 2017

**2017-1 Segregation of duties:**

**Corrective action taken** – Due to lack of sufficient financial resources, this finding cannot be resolved. See 2018-1.

**2017-2 Late Filing of Audit Report**

**Corrective action taken** –Management will closely monitor this situation to prevent from reoccurring.

**WATERWORKS DISTRICT NO. 1  
OF ALLEN PARISH**

**Oakdale, Louisiana**

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

**July 1, 2017 – June 30, 2018**

# STEVEN M. DEROUEN & ASSOCIATES

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## AGREED-UPON PROCEDURES REPORT Independent Accountant's Report On Applying Agreed-Upon Procedures For the Period of July 1, 2017 – June 30, 2018

Board of Commissioners  
Waterworks District No. 1 of Allen Parish  
Oakdale, Louisiana

I have performed the procedures enumerated below, which were agreed to by Waterworks District No. 1 of Allen Parish and the Louisiana Legislative Auditor on control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2017 through June 30, 2018. The Waterworks District No. 1's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested of 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
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
  - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Finding:** The District does not have any written policies concerning the above financial procedures.

**Management Response:** The District will develop the necessary policies and procedures to address the above financial and administrative areas. The District will put such policies in a written document and implement these policies and procedures.

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.
  - 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).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

**Finding:** No exceptions.

#### Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**Finding:** A member of management or board of commissioners has not documented a review of the bank reconciliations.

**Management Response:** Management and or the board of commissioners will implement the policy of documenting the review the monthly bank statement reconciliations.

## Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - 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.
    - 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.
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.

***Finding:*** The District makes deposits typically every Friday and not daily.

***Management Response:*** The District has only one office personnel, and therefore does not consider it cost effective or necessary to make deposits more than once a week.

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

**Findings:** 1. No purchase order system is in place.

2. Person processing payments can also add new vendors to system.

**Management Response:** 1. The District with limited personnel does consider a purchase order system to be effective.

2. The District will continue to monitor any “new” vendors added to accounts payable, but with only one office personnel, does not consider a change to this procedure to be effective.

#### 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.
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.
16. 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.
  - b) Report whether finance charges and/or late fees were assessed on the selected statements.
17. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
  - a) For each transaction, report whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased)
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
  - b) For each transaction, compare the transaction’s detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity’s written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
  - c) For each transaction, compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

**Findings:** Not applicable.

## 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.
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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.
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.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
  - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Findings:** 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.
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.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
  - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Findings:** No exceptions.

## 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.
  - 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.
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.
  - 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.
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.
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.

**Findings:** No exceptions.

#### Ethics

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.
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.

**Findings:** Ethics training was not taken by employees or board of commissioners.

**Managements Response:** The District will improve its efforts to participate in the annual ethics training.

## Debt Service

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

**Findings:** 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.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

**Findings:** No exceptions.

## Purpose of this report:

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

This report is intended solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, and the result of that testing, and not to provide and 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 Louisiana Legislative Auditor as a public document.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 11, 2019