

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO
SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2017

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

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December 31, 2017

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Commissioners
Lakeview Waterworks District of the Parish of Caddo
Shreveport, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business- type activities and the major fund of Lakeview Waterworks District of the Parish of Caddo (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeview Waterworks District of the Parish of Caddo, as of December 31, 2017, and the changes in financial position, and, where applicable, cash flows for the year

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then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 -- 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 15, 2017 on my consideration of Lakeview Waterworks of the Parish of Caddo'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 Lakeview Waterworks District of the Parish of Caddo's internal control over financial reporting and compliance.



Certified Public Accountant
June 15, 2018

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

FINANCIAL HIGHLIGHTS

The District had net position of \$231,316 at year end which represents a decrease from the prior year of \$75,680.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless if when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's net position and changes in net position. You can think of the District's Net Position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$231,316 as of December 31, 2017.

The District's major assets are its fixed assets of \$228,019 representing its investment in its water distribution system and water treatment plant. The District owed \$-0- at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

**Lakeview Waterworks District of the Parish of Caddo
Statement of Net Position
December 31,**

	<u>2017</u>	<u>Restated 2016</u>
Current assets	\$ 58,620	\$ 99,267
Other assets	102,480	75,103
Capital Assets, net of depreciation	<u>228,019</u>	<u>260,104</u>
Total Assets	<u>389,119</u>	<u>434,474</u>
Accounts payable and accrued expenses	27,333	41,336
Bonds payable	-	-
Customer deposits	<u>130,470</u>	<u>127,085</u>
Total Liabilities	<u>157,803</u>	<u>168,421</u>
Invested in capital assets, net of related debt	228,019	260,104
Unrestricted	<u>3,297</u>	<u>46,892</u>
Net Position	<u>\$ 231,316</u>	<u>\$306,996</u>

Lakeview Waterworks District of the Parish of Caddo
Statement of Changes in Net Position
December 31,

	2017	2016
Operating Revenues	\$ 381,628	\$ 388,648
Operating Expenses	457,308	425,780
Operating Income	(75,680)	(37,132)
Non-operating Income/Expense	-	-
Changes in Net Position	\$ (75,680)	\$ (37,132)

The District's total operating revenues decreased by \$7,020 from the previous year. The total operating expense increased by \$31,528 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017 the District had \$228,019 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$32,085 as a result of additions of \$1,049 and depreciation expense of \$33,134.

Capital Assets at Year End
(Net of Depreciation)

	2017	2016
Machinery & Equipment	\$ 1,639	\$ 1,639
Office Building	37,793	37,793
Water System	444,530	443,480
Total	483,962	482,912
Less: Accumulated Depreciation	268,565	235,430
Land	215,397	199,738
	12,622	12,622
Net Fixed Assets	\$ 228,019	\$ 212,360

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting next year's rates and fees. These factors and indicators include: long-term debt, cost of operations and number of customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Lakeview Waterworks District of the Parish of Caddo's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District at 3205 Lorraine Street, Shreveport, Louisiana, (318) 222-4871.

Statement of Net Position

December 31, 2017

Assets

Current Assets

Cash	\$ 300
Accounts Receivable Water Customers (Net)	53,894
Other Receivables	1,552
Prepaid Expenses	2,874
Total Current Assets	<u>58,620</u>

Other Assets

Restricted Assets

Cash	89,355
Other Assets	13,125
Fixed Assets (Net)	228,019
Total Other Assets	<u>330,499</u>

Total Assets	<u>389,119</u>
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Deferred Outflows of Resources	<u>-</u>
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Liabilities

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	27,333
Total Current Liabilities	<u>27,333</u>

Long-Term Liabilities

Customer Deposits Payable	130,470
Total Long-Term Liabilities	<u>130,470</u>
Total Liabilities	<u>157,803</u>

Deferred Inflows of Resources	<u>-</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	228,019
Unreserved	3,297
Total Net Position	<u>\$ 231,316</u>

See accompanying notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2017

Revenues:	
Charges for Services - Water Sales	<u>\$ 381,628</u>
Total Revenues	<u>381,628</u>
Operating Expenses:	
Personal Services	30,934
Utilities	1,552
Repair and Maintenance	67,313
Water Purchases	235,011
Other Supplies and Expense	83,628
Insurance	5,725
Depreciation	<u>33,145</u>
Total Expenses	<u>457,308</u>
Change in Net Position	(75,680)
Net Position - Beginning of Year, Restated (Note 5)	<u>306,996</u>
Net Position - End of Year	<u><u>\$ 231,316</u></u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended December 31, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 351,910
Cash payments to suppliers	(423,616)
Other operating income	-
Net cash provided by operating activities	<u>(71,706)</u>
Cash flows from capital and related financing activities:	
Fixed Asset Purchases	<u>(1,049)</u>
Net cash provided by capital and related financing activities	<u>(1,049)</u>
Net increase(decrease) in cash	(72,755)
Cash, beginning of year (including \$127,085 in restricted assets)	<u>162,410</u>
Cash, end of year (including \$89,355 in restricted assets)	<u><u>\$ 89,655</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	(75,680)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	33,134
Prior Period Adjustment	(24,164)
Decrease in accounts receivable	5,554
Decrease in prepaid expenses	68
Increase in customer deposits	3,385
Decrease in accounts payable	(14,003)
Net cash provided by operating activities	<u><u>\$ (71,706)</u></u>

See accompanying notes to financial statements.

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Notes to Financial Statements

December 31, 2017

Lakeview Waterworks District of the Parish of Caddo, Louisiana, was created by Ordinance No. 4353, of the Caddo Parish Commission on March 17, 2005, and is a political subdivision of the Caddo Parish Commission. The ordinance states that the purpose of the District is to provide water services to the residents of the District. The District is located adjacent to and in proximity of Cross Lake and is domiciled at 3205 Lorraine Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Lakeview Waterworks District of the Parish of Caddo have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

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 to be cash equivalents.

Bad Debts: An allowance for doubtful accounts is maintained for accounts receivable. At December 31, 2017, the balance in this account was \$41,736.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts in demand deposits.

Capital Assets: Additions that significantly extend the useful life of an asset are recorded as capital improvements. The cost of normal maintenance and repairs that do not add to the value of an asset are charged to expense when incurred. Useful depreciable lives of fixed assets range 7 to 15 years.

Prepaid Expenses: Prepaid Expenses consists of insurance premiums paid in advance at year end.

Restricted Assets: Restricted assets include cash that is legally restricted as to its use and is restricted for customer deposits.

(Continued)

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Notes to Financial Statements

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates: The preparation of financial statements in accordance 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 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 those estimates.

Fund Equity: Equity is classified as net position and is reported in three components:

Invested in capital assets, net of related debt 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.

Retracted net position consists of net position with constraints placed on the use by external groups, such as creditors, grantors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

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 carries commercial insurance for the risk of loss including automobile liability, generally liability, property damage, and workers compensation.

2. CASH:

At year end, the carrying amount of the District's carrying amount of cash totaled \$89,355. Bank balances were \$92,141 at year end. The difference is due to outstanding checks at year end. Bank balances were insured by FDIC insurance. Petty cash totaled \$300.

3. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2017, totaled \$95,630 less an allowance for doubtful accounts of \$41,736.

4. FIXED ASSETS:

Building and Improvements	\$ 37,793
Distribution System	444,530
Equipment	1,639
Total Fixed Assets	<u>483,962</u>
Less: Accumulated Depreciation	<u>(268,565)</u>
	215,397
Land	12,622
Net Fixed Assets	<u><u>\$ 228,019</u></u>

(Continued)

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Notes to Financial Statements

December 31, 2017

5. PRIOR PERIOD ADJUSTMENT:

Net position has been decreased in the amount of \$24,164 at January 1, 2017 to correct the allowance for doubtful accounts at January 1, 2017.

6. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through June 15, 2018, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

OTHER SUPPLEMENTARY INFORMATION

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Schedule of Compensation Paid to Commissioners

Year Ended December 31, 2017

Harry Lowrey	\$	780
Lita Smith		420
Mary Tallant		600
Maxie Smith		600
Robert Brown		360
Greg LeGrande		180
James Gilliam		<u>780</u>
Total	\$	<u>3,720</u>

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Schedule of Compensation, Reimbursements, Benefits, and Other Payments

to Agency Head

For the Year Ended December 31, 2017

Agency Head: Harry Lowrey, President

Per Diem	\$	<u>780</u>
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LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Corrective Action Taken on Prior Year Findings

December 31, 2017

FINDING #2016 -1:

The segregation of duties is inadequate to provide effective internal control.

STATUS: Unresolved.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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
Lakeview Waterworks District of the Parish of Caddo
Shreveport, 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 governmental activities of Lakeview Waterworks District of the Parish (the District) of Caddo as of December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 15, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lakeview Waterworks District of the Parish of Caddo's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation 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 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.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness and is reported as Finding #2017-1.

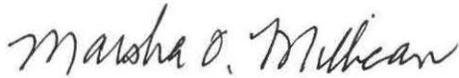
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeview Waterworks District of the Parish of Caddo's financial statements are free of 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* and are reported on the accompanying Schedule of Findings as Finding# 2017-2 and Finding#2017-3.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.



Certified Public Accountant
June 15, 2018

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Schedule of Findings

December 31, 2017

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. One deficiency which is considered to be a material weakness in internal control over financial reporting was disclosed during the audit.
3. Two instances of noncompliance material to the financial statement were disclosed during the audit.

FINDING #2017-1

Criteria: Effective internal control requires segregation of duties.

Condition: The segregation of duties is inadequate to provide effective internal control. The District's water clerk performs substantially all daily accounting duties. These duties include but are not limited to: entering monthly customer usage into the billing software, preparing and mailing monthly customer bills, preparing billing adjustments and non-cash credits, collecting payments for services, recording customer payments into the billing system, preparing and posting customer late payment charges, making bank deposits, preparing disbursement checks, and mailing disbursement checks.

Cause: The condition is due to economic and space limitations.

Effect: Unknown.

Recommendation: Whether or not it would be cost effective to correct a deficiency is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary.

Management's Response and Corrective Action Plan: We concur with the finding. We will make every effort to segregate duties as allowed by space and economic limitations.

(Continued)

LAKEVIEW WATERWORKS DISTRICT OF THE PARISH OF CADDO

Schedule of Findings (Continued)

December 31, 2017

FINDING # 2017-2:

Criteria: State law requires all public employees to obtain annual ethics training.

Condition: District employees did not obtain ethics training for the year ended December 31, 2017.

Cause: Unknown.

Effect: The District is not in compliance with state law.

Recommendation: I recommend all employees obtain annual ethics training.

Management's Response and Corrective Action Plan: We concur with the finding. All employees obtained ethics training subsequent to year end.

FINDING# 2017-3

Criteria: The District should maintain restricted cash funds in an amount equal to the liability for customer deposits.

Condition: The District used funds restricted for customer deposits for operations for the year ended December 31, 2017. The liability for customer deposits at year end was \$130,470. Cash restricted for customer deposits at year end was \$89,335.

Cause: Unknown.

Effect: The liability for customer deposits is not adequately funded.

Recommendation: I recommend the liability for customer deposits be fully funded.

Management's Response and Corrective Action Plan: We will adequately fund customer deposits as allowed by economic limitations.