

Ebarb Waterworks District No. 1
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018



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Eugene W. Fremaux II
Certified Public Accountant

EBARD WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
DECEMBER 31, 2018

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, a component unit of the Sabine Parish Police Jury, as of December 31, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting



EUGENE W. FREMAUX II, CPA
June 17, 2019

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased \$23,272 during the year.
- The District's assets exceeded its liabilities by \$298,397.
- Unrestricted net position decreased by \$62,219 during 2018.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

EBARB WATERWORKS DISTRICT NO. 1
 ZWOLLE, LOUISIANA
 MANAGEMENT DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2018

Condensed Statement of Net Position

| | Dec. 31, 2018 | Dec. 31, 2017 |
|----------------------------------|---------------------|---------------------|
| Current and other assets | \$ 754,783 | \$ 580,992 |
| Capital assets, net | <u>2,690,563</u> | <u>2,206,382</u> |
| Total assets | <u>\$ 3,445,346</u> | <u>\$ 2,787,374</u> |
| Current and other liabilities | \$ 526,443 | \$ 270,040 |
| Long-term debt | <u>2,620,506</u> | <u>2,242,209</u> |
| Total liabilities | <u>3,146,949</u> | <u>2,512,249</u> |
| Net Position: | | |
| Invested in capital assets | - | - |
| Restricted | 149,703 | 64,212 |
| Unrestricted | <u>148,694</u> | <u>210,913</u> |
| Total net position | <u>298,397</u> | <u>275,125</u> |
| Total liabilities & net position | <u>\$ 3,445,346</u> | <u>\$ 2,787,374</u> |

Condensed Statement of Activities

| | Year Ended | |
|----------------------------------|------------------|-------------------|
| | Dec. 31, 2018 | Dec. 31, 2017 |
| Operating revenues | \$ 1,540,360 | \$ 1,551,926 |
| Operating expenses | <u>1,278,306</u> | <u>1,314,522</u> |
| Operating income (loss) | 262,054 | 237,404 |
| Nonoperating revenues (expenses) | (238,782) | (105,120) |
| Capital contributions | <u>-</u> | <u>-</u> |
| Change in net position | <u>\$ 23,272</u> | <u>\$ 132,284</u> |

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

The District's net position as of December 31, 2018 increased by \$23,272 during the year, as compared to an increase of \$132,284 in 2017, primarily due to a \$158,325 loss recorded on replacement of old manual water meters with electronic meters, offset by a decrease of \$36,216 in operating expenses.

CAPITAL ASSETS

During 2018, the District invested \$845,348 in capital assets. The majority of the amount was invested in replacement of water meters with electronic meters that can be read remotely.

DEBT

Debt and capital lease repayments in 2018 amounted to \$196,431. Additional debt was incurred in the amount of \$814,094, primarily to purchase and install electronic meters, which resulted in outstanding debt and capital lease obligations increasing \$602,532.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

EBARB WATERWORKS DISTRICT NO.1
ZWOLLE, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

| ASSETS | |
|--|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 292,419 |
| Accounts receivable | 147,870 |
| Prepaid expenses | <u>4,059</u> |
| Total current assets | <u>444,348</u> |
| Non-current assets: | |
| Restricted cash and cash equivalents | 310,435 |
| Capital assets, net | <u>2,690,563</u> |
| Total non-current assets | <u>3,000,998</u> |
| Total assets | <u>3,445,346</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 89,338 |
| Current portion of long-term debt | 205,077 |
| Current portion of capital lease obligation | <u>70,237</u> |
| Total current liabilities | <u>364,652</u> |
| Current liabilities payable from restricted assets: | |
| Customer deposits | 161,790 |
| Capital lease obligation | 732,337 |
| Notes payable | <u>1,888,170</u> |
| Total current liabilities payable from restricted assets | <u>2,782,297</u> |
| Total liabilities | <u>3,146,949</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | - |
| Restricted for debt service | 149,703 |
| Unrestricted | <u>148,694</u> |
| Total net position | <u>\$ 298,397</u> |

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

EBARB WATERWORKS DISTRICT NO.1
 ZWOLLE, LOUISIANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 DECEMBER 31, 2018

| | |
|--|-------------------|
| Operating revenues: | |
| Charges for services | \$ 1,540,360 |
| Total operating revenues | <u>1,540,360</u> |
| Operating expenses: | |
| Advertising | 1,626 |
| Vehicle expense | 23,905 |
| Depreciation | 201,287 |
| Insurance | 33,744 |
| Legal and accounting | 34,325 |
| Licenses and permits | 34,548 |
| Repairs and maintenance | 61,279 |
| Miscellaneous | 12,433 |
| Office | 47,720 |
| Payroll taxes | 20,188 |
| Salaries and board per diem | 257,683 |
| Supplies | 81,205 |
| Telephone | 19,169 |
| Uniforms | 6,789 |
| Utilities | 58,330 |
| Water purchases | 384,075 |
| Total operating expenses | <u>1,278,306</u> |
| Operating income (loss) | <u>262,054</u> |
| Nonoperating revenues (expenses): | |
| Interest income | 111 |
| Insurance claim | 24,330 |
| Gain (loss) on asset dispositions | (158,325) |
| Interest expense | (104,898) |
| Total nonoperating revenues (expenses) | <u>(238,782)</u> |
| Change in net position | 23,272 |
| Net position, beginning of year | <u>275,125</u> |
| Net position, end of year | <u>\$ 298,397</u> |

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

EBARB WATERWORKS DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 1,647,429 |
| Payments to suppliers | (806,321) |
| Payments to employees | <u>(257,683)</u> |
| Net cash provided by operating activities | <u>583,425</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on capital debt | <u>(210,563)</u> |
| Loan proceeds | 815,649 |
| Capital contributions | - |
| Interest paid | <u>(104,898)</u> |
| Insurance claim recovery | 24,330 |
| Payments for capital acquisitions | <u>(845,348)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(320,830)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>111</u> |
| Net cash provided by investing activities | <u>111</u> |
| Net increase (decrease) in cash and cash equivalents | 262,706 |
| Cash, cash equivalents and investments, beginning of year | <u>340,148</u> |
| Cash, cash equivalents and investments, end of year | <u>\$ 602,854</u> |
| Classified as: | |
| Unrestricted | \$ 292,419 |
| Restricted | <u>310,435</u> |
| Total | <u>\$ 602,854</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | <u>\$ 262,054</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 201,287 |
| Changes in assets and liabilities: | |
| Receivables and prepaid expenses | 88,915 |
| Accounts payable | 13,358 |
| Customer guaranteed deposits | <u>17,811</u> |
| Total adjustments to operating income (loss) | <u>321,371</u> |
| Cash flows from operating activities: | <u>\$ 583,425</u> |

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

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Cash and Cash Equivalents

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

Accounts Receivables

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

Restricted Assets

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

- a) Each month, there will be set aside into a fund called the "Water System Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the total principal and interest maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- b) Each month, there shall be set aside into a "Water System Reserve Fund" a sum at least equal to five percent (5%) of the annual debt payment until such time as there has been accumulated in said fund a sum equal to the highest combined principal and interest amount falling due in any year. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.
- c) Funds will also be set aside into a "Depreciation and Contingency Fund" Money in this fund shall be used to pay the principal and interest on bonds for which there is not sufficient money in the Sinking or Reserve Fund.

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

Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District is charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Fund Net Position. Capital assets net of accumulated depreciation are reported on the Statement of Net Position. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to expenses as incurred. Major expenditures for renewals and betterments are capitalized.

Compensated Absences

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

Net Position

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

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

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

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

Estimates

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

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and cash equivalents include demand deposits at local financial institutions with a carrying value of \$602,854 at December 31, 2018. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of December 31, 2018 the District's bank balances of these deposits amounting to \$559,435 were fully covered by FDIC insurance and \$43,419 of deposits were covered by pledged securities, and therefore were not exposed to custodial credit risk.

3. RESTRICTED ASSETS

At December 31, 2018 the District had the following restricted assets:

| | |
|--|------------------|
| Cash and cash equivalents for debt service | \$149,703 |
| Cash for customer deposits | <u>160,732</u> |
| Total | <u>\$310,435</u> |

4. CAPITAL ASSETS

A summary of changes in capital assets for 2018 follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-----------------------|-----------------------|---------------------------|
| Land | \$ 77,530 | \$ - | \$ - | \$ 77,530 |
| Buildings | 45,192 | 4,754 | - | 49,946 |
| Distribution system | 4,705,054 | 913,081 | 564,428 | 5,053,707 |
| Vehicles | 133,971 | - | 42,011 | 91,960 |
| Equipment | 207,024 | 33,255 | 26,001 | 214,278 |
| Construction in Progress | <u>105,742</u> | <u>-</u> | <u>105,742</u> | <u>-</u> |
| Total | <u>\$ 5,274,513</u> | <u>\$ 951,090</u> | <u>\$ 738,182</u> | <u>\$ 5,487,421</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

A summary of changes in accumulated depreciation for 2018 follows:

| | Beginning | | | Ending |
|--------------------------|---------------------|-------------------|-------------------|---------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> |
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings | 27,546 | 3,223 | - | 30,769 |
| Distribution system | 2,819,403 | 175,677 | 411,173 | 2,583,907 |
| Vehicles | 115,404 | 5,622 | 42,011 | 79,015 |
| Equipment | 105,778 | 16,764 | 19,374 | 103,168 |
| Construction in Progress | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | <u>\$ 3,068,131</u> | <u>\$ 201,286</u> | <u>\$ 472,558</u> | <u>\$ 2,796,859</u> |

5. CONCENTRATION OF WATER SUPPLY

During 2018, the District obtained approximately 79% of water sold from other water districts within the parish.

6. LITIGATION

At December 31, 2018 the District was not involved in any litigation.

7. RISK MANAGEMENT

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

8. VIOLATION OF DEDT COVENANTS

As discussed in Note 1 under significant accounting policies for restricted cash, the District is required to make monthly deposits into various reserve accounts under the terms of its current debt obligations. While the District has made some monthly deposits into these reserve accounts and is current on its required principal payments, the District is not making the minimum monthly payments as required under the terms of the agreement and therefore is not in compliance with its debt covenants. As of December 31, 2018 the District had \$149,703 deposited in the reserve accounts, which is less than the required amount of approximately \$264,500.

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. LEASE OBLIGATIONS

During October 2018 the District entered into two leases as follows:

A five year copier lease, requiring payments amounting to \$16,575 over the life of the lease. A ten year lease of electronic water meters, requiring payments amounting to \$964,879 over the life of the lease.

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of December 31, 2018:

| <u>Year ending, December 31,</u> | <u>Amount</u> |
|---|--------------------------|
| 2019 | \$ 99,803 |
| 2020 | 99,803 |
| 2021 | 99,803 |
| 2022 | 99,803 |
| 2023 | 99,251 |
| 2024-2028 | <u>466,358</u> |
| Total minimum payments required | 964,821 |
| Less amounts representing interest | <u>(162,247)</u> |
| Present value of minimum lease payments | 802,574 |
| Less current portion | <u>(70,237)</u> |
| Long-term portion | <u><u>\$ 732,337</u></u> |

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 17, 2019, and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for 2018:

| | Balance Dec. 31, 2017 | Additions | Deletions | Balance Dec. 31, 2018 | Current Amounts |
|----------------------------------|--------------------------|-------------|-------------------|--------------------------|--------------------|
| Revenue Bonds-1982 | \$ 142,029 | \$ - | \$ 44,072 | \$ 97,957 | \$ 46,095 |
| Revenue Bonds-1990 | 1,423,718 | - | 98,891 | 1,324,827 | 103,430 |
| Revenue Bonds-1993 | 473,036 | - | 26,329 | 446,707 | 27,537 |
| Revenue Bonds-2006 | 112,288 | - | 2,032 | 110,256 | 2,122 |
| Certificate of Indebtedness-2014 | 38,750 | - | 7,501 | 31,249 | 7,910 |
| Certificate of Indebtedness-2016 | 21,650 | - | 6,085 | 15,565 | 6,428 |
| Certificate of Indebtedness-2017 | 60,247 | - | 7,216 | 53,031 | 7,622 |
| Certificate of Indebtedness-2017 | 17,369 | - | 3,714 | 13,655 | 3,933 |
| Total | <u>\$ 2,289,087</u> | <u>\$ -</u> | <u>\$ 195,840</u> | <u>\$ 2,093,247</u> | <u>\$ 205,077</u> |

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

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 205,077 | \$ 91,052 | \$ 296,129 |
| 2020 | 214,801 | 81,328 | 296,129 |
| 2021 | 173,407 | 72,543 | 245,950 |
| 2022 | 168,590 | 64,195 | 232,785 |
| 2023 | 168,857 | 56,528 | 225,385 |
| 2024-2028 | 923,168 | 161,865 | 1,085,033 |
| 2029-2033 | 173,087 | 27,982 | 201,069 |
| 2034-2038 | 22,340 | 12,180 | 34,520 |
| 2039-2043 | 27,791 | 6,729 | 34,520 |
| 2044-2048 | <u>16,129</u> | <u>556</u> | <u>16,685</u> |
| Total | <u>\$ 2,093,247</u> | <u>\$ 574,958</u> | <u>\$ 2,668,205</u> |

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. COMPENSATION PAID TO BOARD MEMBERS

Per diem payments to Board members during 2018 are as follows:

| | |
|---------------|---------|
| P. M. Woods | \$1,020 |
| Benny Garcie | 840 |
| Donald Garcie | 660 |
| Pete Nugent | 720 |
| Robert Conyer | 660 |

**EBARB WATER WORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2018**

EXHIBIT D

Agency Head: P. M. Woods

| <u>Purpose</u> | <u>Amount</u> |
|-----------------------|------------------------|
| Per diem | \$ 1,020 |
| Lodging | 0 |
| Travel | <u>334</u> |
| Total | <u>\$ 1,354</u> |

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED SUMMARY OF UTILITY SERVICE CUSTOMERS
DECEMBER 31, 2018**

EXHIBIT E

| <u>Type of Customers</u> | <u>Numbers of Customers</u> |
|--------------------------|-----------------------------|
| Residential | 2,816 |
| Non-Residential | <u>91</u> |
| | <u>2,907</u> |

See Independent Auditor’s Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2018**

EXHIBIT F

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

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
UNAUDITED LIST OF GOVERNING BODY POSITIONS AND TERMS
DECEMBER 31, 2018**

EXHIBIT G

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

See Independent Auditor's Report.

**EBARB WATER DISTRICT #1, EBARB LOUISIANA
RATE LIST
DECEMBER 31, 2018**

EXHIBIT H

| <u>Rate List</u> | |
|--|---|
| Security deposit | \$200.00 |
| Security deposit renters | \$300.00 |
| Late Charge | 10% of current charges |
| New meter box (customer installed) | \$55.00 |
| New meter box (ewd#1 installed) | \$65.00 |
| Move water meter (10 feet or less) | \$200.00 |
| Impact Fee | \$250.00 |
| Road bore fee | \$1,550.00 |
| Short tap fee | \$1,150.00 |
| One inch meter (meter itself) | \$800.00 |
| DHH fee | \$1.00/month |
| Lock replacement | \$20.00 |
| Transfer Fee | \$75.00 |
| Replace cut-off valve | \$50.00 |
| Replace water meter | \$50.00 |
| NSF check | \$25.00 |
| Pull meter | \$75.00 |
| Reconnect for nonpayment | \$50.00 |
| Service call | \$50.00 |
| Base rate residential after 1 st 1,000 | \$25.50/1,000 gallons \$6.75/1,000 |
| Base rate commercial after 1 st 10,000 | \$62.50/10,000 gallons \$12.05/1,000 |
| Bulk water rate | \$12.05/1,000 gallons |
| Base rate non-residential after 1 st 1,000 | \$25.50/1,000 gallons \$6.75/1,000 |

See Independent Auditor's Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ebarb Waterworks District No. 1 (the District), a component unit of the Sabine Parish Police Jury, of and for the year ended December 31, 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, and have issued our report thereon dated June 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and are described in the accompanying schedule of findings and questioned costs as items 2018-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Eugene W. Fremaux II". The signature is written in a cursive style with a horizontal line extending to the right.

EUGENE W. FREMAUX II, CPA
June 17, 2019

EBARB WATERWORKS DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2018

CURRENT YEAR

2018-01 Noncompliance with Debt Covenants

Criteria: In accordance with the terms of its bond agreements, the District is required to make monthly deposits into a Reserve Fund equal to 5% of the payments being made into a Sinking Fund until an amount equal to the highest combined principal and interest requirements for any year Bond and any additional Parity Bonds is on deposit. In addition, the District is to deposit into a Depreciation and Contingency Fund a sum of 5% of the amount paid into the Sinking Fund. When a sum equal to the Debt Service requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount to 10% of the amount being paid monthly into the Sinking Fund. These accounts have a balance of \$149,703 at December 31, 2018, which is below the required amount of \$264,500.

Condition: The District has been making some deposits into these accounts, but has not been depositing the required amounts into these accounts. See prior year finding 2017-01 (initial year of finding – 1996).

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

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

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

View of Responsible Official and Planned Corrective Action: The District will continue to make deposits into these accounts as cash flow from operations permit. Additional funding of these accounts was begun in 2017, however management believes it will take a number of years to restore these reserve accounts to the proper balances. The District added \$85,491 this account during 2018.

PRIOR YEAR

2017-01 Noncompliance with Debt Covenants

See 2018-01 above.

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Ebarb Waterworks District No. 1 (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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 (e.g. determining the reasonableness of fuel card purchases).
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

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

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

Board (or Finance Committee)

2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

- Results:**
- a) The Board meets monthly.
 - b) The District does not operate with a budget.
 - c) Not applicable

Bank Reconciliations

3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results:

- a) No exceptions noted.
- b) There is no indication that a member of the Board has reviewed the reconciliation.
- c) The District did not have documentation indicating that old outstanding items (more than 6 months) had been researched. There was one item on the operating account and 17 items on the meter deposit account that were outstanding more than six months.

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

Collections

- 4. **Procedure:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions.

- 5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: The Entity does not have written documentation supporting the policy or procedure stating that the employee responsible for collecting cash is not

responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. However, the contract accountant is responsible for recording the general ledger transactions and reconciling the bank accounts. The District does not accept cash or checks at their office (except for meter deposits and turn on), but does accept credit or debit card payments at the office. Customers are required to pay online, or by mailing in check or money order to lockbox. Any office deposits of checks are made using the bank's remote deposit feature. All District employees are covered under the District's insurance policy for loss and/or theft.

Management's Response: Due to the limited staff size, the Entity's policy and procedures for collections does not preclude employees who collect checks from depositing, recording, and reconciling bank accounts. However, the District's procedures do include review functions by another employee, the System Manager, and the President and Board to help mitigate the lack of segregation that would be ideal if the District had larger staff.

6. **Procedure:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions.

7. **Procedure:** Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions.

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

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions noted.

9. **Procedure:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions noted. The District does not use receiving reports. All transactions tested were paid from an invoice approved by the System Manager.

10. **Procedure:** For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted

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

11. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions noted

12. **Procedure:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions noted

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions noted

Travel and Expense Reimbursement

14. **Procedure:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation

includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: Not applicable.

Contracts

15. **Procedure:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: Not applicable.

Payroll and Personnel

16. **Procedure:** Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

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

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

17. **Procedure:** Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions noted.

18. **Procedure:** Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: No exceptions noted, except for pay rates not included in personnel file, see No. 16 above.

19. **Procedure:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions noted.

Ethics

20. **Procedure:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Not applicable.

Debt Service

21. **Procedure:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: No exceptions noted.

22. **Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: The District made all scheduled debt service payments as required in 2018, however the District has not been able to maintain debt reserves as required by USDA loans (see Note 8 to the financial statements), however the District was able to increase the required reserves from \$64,212 at December 31, 2017 to \$149,703 at December 31, 2018.

Other

23. **Procedure:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions noted.

24. **Procedure:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in black ink, appearing to read "Eugene W. Fremaux II". The signature is stylized and includes a long horizontal flourish extending to the right.

Eugene W. Fremaux II, CPA
June 17, 2019