

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana**

**Annual Financial Statements**

**As of and for the Year Ended  
December 31, 2017**

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

Annual Financial Statements  
As of and for the Year Ended December 31, 2017

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**M. CARLEEN DUMAS**  
**Certified Public Accountant**  
**369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726**

**Independent Accountant's Review Report**

BOARD OF COMMISSIONERS  
CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

I have reviewed the accompanying financial statements of the business-type activities of Consolidated Water District No. 2 of Morehouse Parish (the "District"), a component unit of Morehouse Parish, as of and for the year ended December 31, 2017, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

**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.

**Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

**Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Member of the American Institute of Certified Public Accountants**  
**Member of the Society of Louisiana of Certified Public Accountants**

BOARD OF COMMISSIONERS  
CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana  
Independent Accountant's Review Report  
December 31, 2017

**Other Matters**

**Supplementary Information**

The accompanying schedule of compensation, benefits, and other payments to agency head and board of commissioners and the schedule of prior year findings are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 not audited or reviewed such required supplementary information, and, accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on it.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report dated June 6, 2018, on the results of my agreed-upon procedures.

/s Carleen Dumas  
Calhoun, Louisiana  
June 6, 2018

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017

Our discussion and analysis of Consolidated Water District No. 2 of Morehouse Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements that begin on page 8.

**BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net position
- c. Statement of revenues, expenses, and changes in net position
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The District is a special-purpose government engaged only in business-type activities.

**Enterprise Fund Financial Statements**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and the changes in net position. Net position - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position is an indicator of whether the District's financial position is improving or deteriorating.

CONSOLIDATED WATER DISTRICT NO. 2  
 OF MOREHOUSE PARISH  
 Bastrop, Louisiana  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended December 31, 2017

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF  
 FINANCIAL DATA**

The District's net position increased by \$43,348 for the year ended December 31, 2017. Operating revenues decreased \$21,453 and operating expenses decreased \$9,236 from the previous year. The following presents an analysis of net position and changes in net position of the District's business-type activities:

	<b>BUSINESS-TYPE ACTIVITIES</b>	
	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets	\$936,950	\$902,543
Restricted assets	45,484	49,208
Capital assets	<u>265,696</u>	<u>286,556</u>
Total assets	<u>1,248,130</u>	<u>1,238,307</u>
<b>Liabilities</b>		
Current liabilities	93,383	94,113
Long-term liabilities	<u>161,687</u>	<u>194,482</u>
Total liabilities	<u>255,070</u>	<u>288,595</u>
<b>Net Position</b>		
Net investment in capital assets	265,696	286,556
Unrestricted	<u>727,364</u>	<u>663,156</u>
Total net position	<u>993,060</u>	<u>949,712</u>
Operating revenues	412,250	433,703
Operating expenses	(374,680)	(383,916)
Non-operating revenues	<u>5,778</u>	<u>5,128</u>
Change in net position	43,348	54,915
Net position - beginning	<u>949,712</u>	<u>894,797</u>
Net position - ending	<u>\$993,060</u>	<u>\$949,712</u>

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017

**OVERALL FINANCIAL POSITION**

Unrestricted net position (those assets available to finance the daily operations of the district) was \$727,364 at year end. The amount invested in capital assets was \$265,696 at year end.

**CAPITAL ASSETS AND DEBT**

**Capital Assets**

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$265,696. Capital assets include land, the water system, tanks, and wells, buildings, and equipment costing \$500 or more. There were no additions or deletions to capital assets during 2017. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

**Debt**

During the year ended December 31, 2008, the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the District's water lines that were located within the limits of a road construction project on US Highway 425. During 2009, the District was reimbursed for \$293,758 of the project cost through a URAF loan. During 2011, the District received an additional \$34,183 reimbursement of the project cost through URAF. The district made a \$32,795 payment on the loan during 2017. Additional information about the District's debt is presented in Note 5 to the financial statements.

**ECONOMIC FACTORS**

Operating revenues are expected to increase during 2018 due to a water rate increase that went into effect with the December 2017 billing. Operating expenses are expected to increase during 2018 due to increases in chlorine and other expenses.

**BASIC FINANCIAL STATEMENTS**

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

STATEMENT OF NET POSITION  
December 31, 2017

**ASSETS**

## Current assets:

Cash	\$303,079
Investments - certificates of deposit	563,385
Receivables	40,374
Inventory	30,112
Total current assets	936,950

## Noncurrent assets:

Restricted cash	45,484
Property, plant and equipment (net of accumulated depreciation)	265,696
Total noncurrent assets	311,180
Total assets	1,248,130

**LIABILITIES**

## Current liabilities:

Accounts payable	5,520
Payroll withholdings payable	7,366
Sales tax payable	591
Sewer fees payable	1,595
Current portion of URAF loan	32,795
Customer deposits	45,516
Total current liabilities	93,383

## Long-term liabilities - URAF loan

Total liabilities	161,687
	255,070

**NET POSITION**

Net investment in capital assets	265,696
Unrestricted	727,364
Total net position	\$993,060

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Year Ended December 31, 2017

<b>OPERATING REVENUES</b>	
Water sales	\$381,358
Penalties	7,811
Safe drinking water fee	4,466
Installation and connection fees	11,475
Sewer collection fee	1,345
Other operating revenue	5,795
Total operating revenues	<u>412,250</u>
<b>OPERATING EXPENSES</b>	
Salaries	179,545
Commissioners per diem	3,360
Payroll tax expense	13,736
Workers compensation insurance	12,537
Employees health insurance	26,589
Maintenance expense	58,563
Auto fuel and maintenance	7,694
Chemicals	2,591
Office expense	7,734
Utilities and telephone	24,508
Insurance	10,755
Legal and accounting	1,620
Postage	3,800
Dues and memberships	500
Depreciation	20,859
Locate fees	289
Total operating expenses	<u>374,680</u>
<b>OPERATING INCOME</b>	<u>37,570</u>
<b>NON-OPERATING REVENUES:</b>	
Interest income	5,778
<b>INCREASE IN NET POSITION</b>	<u>43,348</u>
<b>NET POSITION - BEGINNING</b>	<u>949,712</u>
<b>NET POSITION - ENDING</b>	<u><u>\$993,060</u></u>

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$415,525
Customer meter deposits (net)	(3,723)
Payments to suppliers	(172,177)
Payments to employees and board	<u>(182,905)</u>
Net cash provided by operating activities	<u>56,720</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Decrease in restricted cash	<u>3,724</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	5,778
Loan payment	(32,795)
Increase in investments	<u>(2,694)</u>
Net cash used by investing activities	<u>(29,711)</u>

**NET INCREASE IN CASH**

	30,733
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**CASH AT BEGINNING OF YEAR**

	<u>272,346</u>
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**CASH AT END OF YEAR**

	<u><u>\$303,079</u></u>
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**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities**

Operating Income	<u>\$37,570</u>
Adjustments:	
Depreciation	20,859
Decrease in accounts receivable	3,276
Increase in inventory	(4,255)
Increase in accounts payable	1,414
Increase in payroll withholdings payable	1,965
Increase in sales tax payable	11
Decrease in customer meter deposits	(3,723)
Decrease in sewer fees payable	<u>(397)</u>
Total adjustments	19,150
Net cash provided by operating activities	<u><u>\$56,720</u></u>

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 2017

**INTRODUCTION**

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board of commissioners appointed by the police jury. Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended. The district serves approximately 1,189 customers and has four employees.

GASB Statement No. 14, *The Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, Consolidated Water District No. 2 of Morehouse Parish is considered a component unit of the Morehouse Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Statements**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net position
3. Statement of revenues, expenses, and changes in net position
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Consolidated Water District No. 2 of Morehouse Parish is a special-purpose government engaged only in business-type activities.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and  
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of Consolidated Water District No. 2 of Morehouse Parish are water sales, penalties, safe drinking water fee, installation and connection fees, sewer collection fee, and other operating income. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Deposits and Investments**

Cash and restricted cash includes amounts in interest-bearing demand deposits. State law limits the district's credit risk by restricting the district's investments to collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2017, the district's investments consists of nonnegotiable certificate of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost. The district's interest rate risk is limited by the investment of funds for periods not to exceed 24 months.

**D. Receivables**

Accounts receivable consist of amounts due from customers for water service provided prior to year end. Receivables are generally shown net of an allowance for uncollectible accounts. These statements contain no provision for uncollectible accounts. The district is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Customer accounts are considered past due when they are not paid by the 10<sup>th</sup> of the month following the month of service. The customer's meter is locked if amount due is not paid by the 25<sup>th</sup> of the month following the month of service. Unpaid accounts are written off as bad debts when considered uncollectible by the board.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
 OF MOREHOUSE PARISH  
 Notes to the Financial Statements

**E. Inventory**

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

**F. Restricted Assets**

Certain resources set aside for the refunding of customer meter deposits are classified as restricted assets on the balance sheet because their use is limited. It is the district's policy to use restricted assets first when both unrestricted and restricted assets are available for a specific purpose.

**G. Capital Assets**

Capital assets, which include land, the water system, tanks, wells, buildings, and equipment are reported in the enterprise fund financial statements. Capital assets purchased by the district are capitalized at historical cost. Donated capital assets are recorded at fair market value on the date of donation. The Consolidated Water District No. 2 of Morehouse Parish maintains a threshold level of \$500 or more and an estimated useful life of five years or more for capitalizing assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

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

	<u>Estimated Lives</u>
Water systems, tanks, and wells	11- 40 years
Buildings and equipment	3-20 years

**H. Compensated Absences**

The district's full-time employees earn from 5 to 10 days of vacation leave each year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time salaried employees earn compensatory time for hours worked in excess of 40 each week. The compensatory time earned must be taken within the following year.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Notes to the Financial Statements

**I. Long-term Obligations**

Long-term debt such as the URAF loan is reported as a liability on the statement of net position.

**J. Estimates**

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

**2. DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2017, the district has cash, restricted cash, and investments (book balances) as follows:

Petty cash	\$200
Interest bearing checking accounts	324,473
Savings accounts	23,890
Investments - certificates of deposit	<u>563,385</u>
Total	<u>\$911,948</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank and deposited with an unaffiliated bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At December 31, 2017, the Consolidated Water District No. 2 of Morehouse Parish had \$912,730 in deposits (collected bank balances). These deposits were secured from risk by \$836,487 of FDIC and NCUA insurance and \$77,334 of pledged securities held by an unaffiliated bank in the name of the fiscal agent bank.

**3. RECEIVABLES**

At December 31, 2017, the district has net receivables of \$40,374 as follows:

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
 OF MOREHOUSE PARISH  
 Notes to the Financial Statements

Water sales	\$40,374
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$40,374</u>

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2017, is as follows:

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Capital assets not being depreciated:				
Land	\$5,000			\$5,000
Capital assets being depreciated:				
Water system, tanks, and wells	824,438			824,438
Buildings and equipment	146,405			146,405
Total capital assets being depreciated	970,843	NONE	NONE	970,843
Less accumulated depreciation for:				
Water system, tanks, and wells	565,646	14,587		580,233
Buildings and equipment	123,642	6,272		129,914
Total accumulated depreciation	689,288	20,859	NONE	710,147
Total assets being depreciated, net	281,555	(20,859)	NONE	260,696
Total assets	<u>\$286,555</u>	<u>(\$20,859)</u>	<u>NONE</u>	<u>\$265,696</u>

Depreciation expense of \$20,859 for the year ended December 31, 2017 was reported in the statement of revenues, expenses, and changes in net position.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
 OF MOREHOUSE PARISH  
 Notes to the Financial Statements

**5. URAF LOAN**

In August 2008 the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the district's water lines that are located within the limits of a road construction project on US Highway 425. The agreement provided for a total project cost of \$481,313. The district was to be financially responsible for \$281,108 with the remainder to be funded by the state through a URAF loan. The actual cost of the project was \$539,817. During 2009 and 2011, the district was reimbursed a total of \$327,941 of the project cost through a URAF loan. During 2013, the District received notice from DOTD that their annual minimum repayment due on January 15<sup>th</sup> of each year was calculated at either 5% of gross income or 10% of the outstanding URAF debt. A payment of \$32,795 was made in January 2017.

The following is a summary of the URAF loan transactions for the year ended December 31, 2017:

URAF loan payable at January 1, 2017	\$227,277
Additions	NONE
Reductions	<u>(32,795)</u>
URAF loan payable at December 31, 2017	<u>\$194,482</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2017:

Current portion	\$32,795
Long-term portion	<u>161,687</u>
Total	<u>\$194,482</u>

The non-interest bearing loan is due as follows:

<u>Year Ending December 31,</u>	<u>Total</u> <u>Payment</u>
2018	\$32,795
2019	32,795
2020	32,795
2021	32,795
2022	32,795
2023	<u>30,507</u>
Total	<u>\$194,482</u>

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Notes to the Financial Statements

**6. RISK MANAGEMENT**

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

**7. SUBSEQUENT EVENTS**

Management of the district has evaluated subsequent events through June 6, 2018, the date which the financial statements were available to be issued.

See independent accountant's review report.

**SUPPLEMENTAL INFORMATION SCHEDULES**

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES  
As of and For the Year Ended December 31, 2017

**SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD  
AND BOARD OF COMMISSIONERS**

The schedule of compensation, benefits, and other payments to agency head and board of commissioners is presented in compliance with Act 706 of the 2017 Session and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended.

**SCHEDULE OF PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD AND BOARD OF COMMISSIONERS  
For the Year Ended December 31, 2017

**BOARD COMPENSATION**

Agency Head - Wyatt Smith - President	\$660
Derrell Bray	780
Douglas Goyne	720
Bud Morrison	660
Eddie Potter	NONE
Hubert Williams	<u>540</u>
Total	<u>\$3,360</u>

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended December 31, 2017

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Status of Finding
N/A	2009	Inadequate Segregation of Accounting Duties	Unresolved - see 2017-001 in current year findings.
N/A	2009	Inadequate Controls Over Preparation of Annual Financial Statements	Unresolved - see 2017-002 in current year findings.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

CURRENT YEAR FINDINGS AND  
CORRECTIVE ACTION PLAN  
For the Year Ended December 31, 2017

**2017-001 Inadequate Segregation of Accounting Duties**

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Cause: Limited number of employees due to the small size of the district.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None.

Management's Response: It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

**2017-002 Inadequate Controls Over Preparation of Annual Financial Statements**

Criteria: The district is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect, or correct a misstatement of those financial statements.

Condition: Due to its small size, the district does not have an individual with the expertise to perform these internal control functions effectively.

Cause: Limited number of employees due to the small size of the district.

Effect: Misstatements in the financial statements may not be detected within a timely period.

Recommendation: None

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

CURRENT YEAR FINDINGS AND  
CORRECTIVE ACTION PLAN  
For the Year Ended December 31, 2017

Management's Response: It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

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

The following independent accountant's report on applying agreed upon procedures is presented in compliance with the requirements of the *Louisiana Governmental Audit Guide* and the *Louisiana Attestation Questionnaire*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**M. CARLEEN DUMAS**  
**Certified Public Accountant**  
**369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726**

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

BOARD OF COMMISSIONERS  
CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
Bastrop, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Consolidated Water District No. 2 of Morehouse Parish and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended December 31, 2017 included in the accompanying *Louisiana Attestation Questionnaire*. Management of the District is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed 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 the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Public Bid Law**

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$152,550, and determine whether such purchases were made in accordance with R.S. 38:2211-2296 (the public bid law) or R.S.39:1151-39:1775 (the state procurement code), whichever is applicable.

A review was made of all disbursements for the year. There were no disbursements for materials and supplies that exceeded \$30,000 nor any disbursements for public works exceeding \$152,500 made during the year.

**Code of Ethics for Public Officials and Public Employees**

2. Obtain from management a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

**Member of the American Institute of Certified Public Accountants**  
**Member of the Society of Louisiana of Certified Public Accountants**

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3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure number (3) were also included in the listing obtained from management in agreed-upon procedure number (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) were included on the listing obtained from management in agreed-upon procedure (2) as an immediate family member.

#### **Budgeting**

5. Obtain a copy of the legally adopted budget and all amendments.

The district is not legally required to adopt a budget.

6. Trace the budget adoption and amendments to the minute book.

See procedure 5.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

See procedure 5.

#### **Accounting and Reporting**

8. Randomly select 6 disbursements made during the period under examination and;
  - (a) trace payments to supporting documentation as to proper amount and payee;
  - (b) determine if payments were properly coded to the correct fund and general ledger account;
  - (c) determine whether payments received approval from proper authorities.

An examination of six randomly selected disbursements disclosed the following:

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- (a) The six selected disbursements were properly supported.
- (b) The six selected payments were properly coded to the correct general ledger account.
- (c) The six selected payments received approval from proper authorities.

**Meetings**

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11-28 (the opening meetings law).

The public notices for meetings were posted and advertised as required by R.S. 42:11-28.

**Debt**

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I examined all deposits for the period under examination and noted no proceeds that appeared to be from bank loans, bonds, or like indebtedness.

**Advances and Bonuses**

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the board meetings and an examination of payroll records indicated no payments which may constitute bonuses, advances, or gifts.

**Prior Comments and Recommendations**

My prior year report, dated April 28, 2017, included two findings. Those findings have not been resolved by management. I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

Consolidated Water District No. 2  
of Morehouse Parish  
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December 31, 2017

This report is intended solely for the use of management of Consolidated Water District No. 2 of Morehouse Parish and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

/s Carleen Dumas  
Calhoun, Louisiana  
June 6, 2018

## **Louisiana Attestation Questionnaire**

The accompanying *Louisiana Attestation Questionnaire* has been completed by management and is included in this report as required by the *Louisiana Governmental Audit Guide*.

M. Carleen Dumas, CPA  
369 Donaldson Road  
Calhoun, LA 71225

Mrs. Dumas,

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2017 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you.

**Public Bid Law**

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes  No  N/A

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone which would constitute a violation of R.S. 42:1101-1124.

Yes  No  N/A

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of R.S. 42:1119.

Yes  No  N/A

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes  No  N/A

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes  No  N/A

We have filed our annual financial statements in accordance with R.S. 24:514, and R.S. 33:463 where applicable.

Yes  No  N/A

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes  No  N/A

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes  No  N/A

**Meetings**

We have complied with the provisions of the Opening Meetings Law, provided R.S. 42:11 through 42:28.

Yes  No  N/A

**Debt**

It is true that we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60 - 1410.65.

Yes  No  N/A

**Advances and Bonuses**

It is true that we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes  No  N/A

**Prior-Year Comments**

We have resolved all prior-year recommendations and/or comments.

Yes  No  N/A

**General**

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes  No  N/A

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [ X ] No [ ] N/A [ ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [ X ] No [ ] N/A [ ]

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [ X ] No [ ] N/A [ ]

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes [ X ] No [ ] N/A [ ]

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [ X ] No [ ] N/A [ ]

<u>/s Wyatt Smith</u>	<u>President</u>	<u>4/7/18</u>
Name	Title	Date
<u>/s Douglas Goyne</u>	<u>Vice-President</u>	<u>4/7/18</u>
Name	Title	Date