

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SHREVEPORT, LOUISIANA**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**Marsha O. Millican**  
**A Professional Accounting Corporation**  
**Shreveport, Louisiana**

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

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**DECEMBER 31, 2017 and 2016**

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# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## Independent Auditor's Report

To the Board of Commissioners  
Caddo Parish Sewerage District No. 7  
Shreveport, Louisiana

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

I have audited the accompanying financial statements of the business-type activities and the major fund of Caddo Parish Sewerage District No. 7, a component unit of the Caddo Parish Commission as of and for the years ended December 31, 2017 and 2016, which collectively comprise the District's basic financial statements and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Sewerage District No. 7, as of December 31, 2017 and 2016, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 9, a certain error resulting in overstatement of depreciation expense and accumulated depreciation as of December 31, 2016 were discovered during the current year. Accordingly, the 2016 financial statements have been restated to correct the error.

***Other Matters***

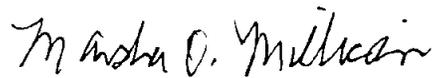
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 6 be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

My audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 24, 2018 on my consideration of Caddo Parish Sewerage District No. 7.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caddo Parish Sewerage District No. 7.'s internal control over financial reporting and compliance.



Certified Public Accountant  
May 24, 2018

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**P. O. BOX 7606**  
**SHREVEPORT, LA 71137-7606**

**Management's Discussion and Analysis**

Our discussion and analysis of the Caddo Parish Sewerage District No. 7 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, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

The District's net position increased by \$47,063 or 2%.

The District's total revenues were \$885,553 in 2017 compared to \$854,100 in 2016.

During the year ended December 31, 2017, the District had total operating expenses, excluding depreciation, of \$480,097 compared to \$448,125 in 2016.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts; management's discussion and analysis, the basic financial statements, and required supplemental information. The statement of net assets provides long-term and short-term information about the District's financial status. The statements of revenue, expenses, and changes in net assets and statements of cash flows provide historical data on the District's business-like activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Caddo Parish Sewerage District No. 7 is a component unit of the Parish of Caddo, Louisiana because the Parish must approve all officials appointed to the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District.

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Position**

The following table summarizes the financial status of the District:

	2017	2016 Restated	% Change
Current and other assets	\$ 758,321	\$ 850,296	-10.82%
Capital assets	2,640,014	2,862,857	-7.78%
Total assets	3,398,335	3,713,153	-8.48%
Deferred outflows	105,114	122,450	
Long-term debt outstanding	1,359,892	1,589,457	-14.44%
Other liabilities	114,671	127,663	-10.18%
Total liabilities	1,474,563	1,717,120	-14.13%
Investment in capital assets	1,422,965	1,273,400	11.75%
Restricted	652,724	558,190	16.94%
Unrestricted	89,857	286,843	-68.67%
Total net position	\$ 2,165,546	\$ 2,118,433	2.22%

Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating. The above changes reflect no substantial change in the District's financial position.

### Changes in Net Position

The following table summarizes the change in the District's net position:

	<u>2017</u>	Restated <u>2016</u>	<u>% Change</u>
Revenues			
Fees and charges for service	\$ 884,312	\$ 853,776	3.58%
Interest income	1,241	324	283.02%
Total revenues	<u>885,553</u>	<u>854,100</u>	<u>3.68%</u>
Expenses			
Sewer operations	480,097	448,125	7.13%
Depreciation	277,743	273,855	1.42%
Interest expense	80,650	89,417	-9.80%
Total expenses	<u>838,490</u>	<u>811,397</u>	<u>3.34%</u>
Change in net assets	<u>\$ 47,063</u>	<u>\$ 42,703</u>	<u>10.21%</u>

### CAPITAL ASSETS

At the end of 2017, the District has invested \$2,640,014 in capital assets, including land, sewer lines, treatment facilities, a vehicle, and equipment. This amount represents a decrease of \$168,598 over last year.

#### (Net of depreciation)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Land	\$ 37,500	\$ 37,500	0.00%
Sewer system	7,590,827	7,559,403	0.42%
Machinery and equipment	274,779	251,303	9.34%
Accumulated depreciation	<u>(5,263,092)</u>	<u>(4,985,349)</u>	<u>5.57%</u>
Total	<u>\$ 2,640,014</u>	<u>\$ 2,862,857</u>	<u>-7.78%</u>

System net additions totaled \$54,900 and depreciation was \$277,743 for 2017.

System net additions totaled \$185,257 for 2016. Depreciation totaled \$273,855 for 2016.

## LONG-TERM DEBT

At year-end the District had \$1,359,892 in debt as shown in the following table:

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Loan Payable - DEQ	\$ 108,392	\$ 126,457	-14.29%
Certificates of indebtedness	184,000	243,000	
Revenue bonds	<u>1,067,500</u>	<u>1,220,000</u>	<u>-12.50%</u>
Total	<u>\$ 1,359,892</u>	<u>\$ 1,589,457</u>	<u>-14.44%</u>

This financial report is designed to provide the constituents and taxpayers with a general overview of the finances for the funds maintained by the Caddo Sewerage District No. 7 and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's office at 4859 North Market, Suite 4, Shreveport, LA 71107.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

<b><u>ASSETS:</u></b>	<b><u>2017</u></b>	<b><u>Restated 2016</u></b>
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 59,242	\$ 103,116
Accounts receivable - Note 4	73,290	75,649
Prepaid expenses	<u>17,553</u>	<u>14,209</u>
Total current assets	<u>150,085</u>	<u>192,974</u>
<b><u>Noncurrent Assets</u></b>		
Restricted cash and cash equivalents		
Revenue sinking fund	210,163	144,937
Reserve sinking fund	307,486	291,736
Depreciation and contingency fund	54,742	83,074
Construction fund	80,333	38,443
Customer deposits and permits	105,597	99,132
Capital assets - Note 5	<u>2,640,014</u>	<u>2,862,857</u>
Total other assets	3,398,335	3,520,179
Total assets	<u>3,548,420</u>	<u>3,713,153</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	<u>105,114</u>	<u>122,450</u>

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

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

<b><u>LIABILITIES:</u></b>	<u>2017</u>	<u>Restated 2016</u>
<u>Current Liabilities (Payable from current assets)</u>		
Accounts payable	13,425	17,978
Total	<u>13,425</u>	<u>17,978</u>
<u>Current Liabilities (Payable from restricted assets)</u>		
Certificates of indebtedness payable	60,000	59,000
DOTD note payable	18,065	18,065
Customer deposits and permits held	105,597	99,132
Revenue bonds payable	157,500	152,500
Accrued interest payable	9,074	10,603
Total	<u>350,236</u>	<u>339,300</u>
Total current liabilities	<u>363,661</u>	<u>357,278</u>
<u>Noncurrent Liabilities</u>		
Revenue bonds payable - Note 7	910,000	1,067,500
Certificates of indebtedness - Note 7	124,000	184,000
DOTD note payable - Note 7	90,327	108,392
General obligation bonds - Note 7	-	-
Total long-term liabilities	<u>1,124,327</u>	<u>1,359,892</u>
Total liabilities	<u>1,487,988</u>	<u>1,717,170</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	-	-
<b><u>NET POSITION:</u></b>		
Invested in capital assets, net of related debt	1,422,965	1,273,400
Restricted		
Capital outlay	80,333	38,443
Debt retirement	572,391	519,747
Unrestricted	<u>89,857</u>	<u>286,843</u>
Total net position	<u>\$ 2,165,546</u>	<u>\$ 2,118,433</u>

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

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF REVENUE, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	Restated <b>2016</b>
<b><u>OPERATING REVENUES</u></b>		
Fees and charges for services	\$ 884,312	\$ 853,776
<b><u>OPERATING EXPENSES</u></b>		
Personal services	176,754	163,728
Advertising, dues and subscriptions	745	300
Utilities	34,109	44,596
Communications	6,837	6,925
Rentals paid	9,000	8,600
Maintenance of property and equipment	184,793	148,054
Professional services	12,386	13,636
Insurance and surety bonds	18,230	17,611
Office expenses	14,165	20,501
Postage and delivery	5,544	6,458
Travel and education	15,351	12,099
Bad debts	2,183	5,617
Depreciation	277,743	273,855
Total operating expenses	757,840	721,980
Operating Income	126,472	131,796
<b><u>NON-OPERATING INCOME (EXPENSE)</u></b>		
Interest income	1,241	324
Ad Valorem taxes	-	-
Interest and fiscal charges	(80,650)	(89,417)
Total non-operating revenue (expense)	(79,409)	(89,093)
Change in net position	47,063	42,703
<b>NET POSITION - BEGINNING OF YEAR</b>	2,118,483	2,075,780
<b>NET POSITION - END OF YEAR</b>	\$2,165,546	\$2,118,483

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

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>Restated 2016</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 881,953	\$ 864,613
Cash payments to suppliers for goods and services	<u>(483,276)</u>	<u>(451,056)</u>
Net cash provided by operating activities - Note 8	<u>398,677</u>	<u>413,557</u>
<u>Cash Flows From Non-Capital Financing Activities</u>		
Deposits received from customers	<u>6,465</u>	<u>3,150</u>
Net cash from non-capital financing activities	<u>6,465</u>	<u>3,150</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from Ad Valorem tax collections		15,687
Proceed from issuance of certificates of indebtedness	-	-
Principal paid on debt	(229,565)	(222,565)
Acquisition and construction of capital assets	(54,900)	(185,257)
Interest paid on debt	<u>(64,793)</u>	<u>(72,446)</u>
Net cash used for capital and related financing activities	<u>(349,258)</u>	<u>(464,581)</u>
<u>Cash Flows From Investing Activities</u>		
Interest on investments	<u>1,241</u>	<u>324</u>
Net increase (decrease) in cash and cash equivalents	<u>57,125</u>	<u>(47,550)</u>
Cash and cash equivalents at beginning of year, (including restricted amounts of \$657,322)	<u>760,438</u>	<u>807,988</u>
Cash and cash equivalents at end of year (including restricted amounts of \$758,321)	<u>\$ 817,563</u>	<u>\$ 760,438</u>

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

**CADDO PARISH SEWERAGE DISTRICT NO.7**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 and 2016**

**INTRODUCTION**

1. Caddo Parish Sewerage District No. 7 was created by the Caddo Parish Commission and is a subdivision thereof. This report includes all funds controlled by Caddo Parish Sewerage District No. 7. The District is considered a component unit of the Caddo Parish Commission, and is included in the Commission's financial report.
2. The District was formed to construct and operate a sewerage collection and treatment system north of Shreveport, Louisiana.
3. Its five Board members are appointed by the Caddo Parish Commission and compensated \$60 each per meeting attended.
4. The District is located north of Shreveport, Louisiana.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Caddo Parish Sewerage District No. 7 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 14:514 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units*.

**B. REPORTING ENTITY**

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification section 2100, Caddo Parish Sewerage District No. 7 includes all funds that are within its oversight responsibility. The District is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### **C. FUND ACCOUNTING**

Caddo Parish Sewerage District No. 7 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### **D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services or goods in connection with principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District's reporting on enterprise fund activities is based on FASB Statements and interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

The Enterprise Fund uses the following practices in recording certain revenues and expenses:

#### **Revenues**

Fees and charges for services are billed at the end of the month earned and are due by the 20th of the following month. This revenue is recorded as income in the month earned.

## **Expenses**

Operating expenses are recorded when incurred. Interest expense is accrued at the end of each period and included as expense.

### **E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The District considers time deposits and those investments with maturities of 90 days or less as cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### **F. PREPAID ITEMS**

Items paid in the current year benefiting future periods are set up as assets.

### **G. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, other funds set aside for specific purposes are also classified as restricted. The District uses restricted resources to fund appropriations before using unrestricted resources.

### **H. CAPITAL ASSETS**

Fixed assets of the District are included on the balance sheet of the fund at cost. Interest costs incurred during construction are not capitalized. Constructed systems are being depreciated on a straight-line basis for 35 years. Existing systems purchased in 1985 for \$149,950 are being depreciated on a straight-line basis for 25 years. The District capitalizes all capital assets that are \$1,000 or greater.

### **I. DEFERRED FINANCE CHARGES**

In conjunction with refunding bond issues, refinancing costs were incurred. These costs are amortized on a straight-line basis over the term of the new bond issues. Included in interest expense for the year ended December 31, 2017, and 2016 amortization of these costs of were \$17,336 each year.

## **J. COMPENSATED ABSENCES**

The District has adopted a leave policy as to vacation pay. The policy provides full-time employees to accumulate earned vacation. Employees must use their earned time or it is lost at the anniversary of their hire date. Earned vacation may be paid in cash upon termination of the employee. The policy also provides full-time employees sick/personal leave. Unused sick leave accumulates and may be carried forward indefinitely. The District does not pay for unused sick leave upon termination.

## **K. LONG-TERM LIABILITIES**

Long-term liabilities are reported in the statement of net position.

## **L. USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

## **M. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowing used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use by creditors, grantors or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## **N. BAD DEBTS**

The District uses the direct charge-off method of accounting for uncollectible water receivables. Although this method is not in accordance with accounting principles generally accepted in the United States of America, the overall effect on the financial statements is immaterial.

## 2. CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, the District has cash and cash equivalents (book balances) as follows:

	<u>2017</u>	<u>2016</u>
Non interest bearing demand deposits	\$ 198,984	\$ 202,038
Interest bearing demand deposits	618,354	558,175
Other	<u>225</u>	<u>225</u>
Total	<u>\$ 817,563</u>	<u>\$ 760,438</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash deposits at JP Morgan Chase, Louisiana are collateralized as follows at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Fair market value of securities pledged (GASB Category 3)	\$ 375,040	\$ 542,308
Current FDIC coverage	<u>423,020</u>	<u>406,197</u>
Total collateral	948,505	948,505
Collected cash balances	<u>653,997</u>	<u>739,865</u>
Collateralization (shortage) excess	<u>\$ 208,640</u>	<u>\$ 208,640</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Cash balances at other banks totaling \$171,746 were fully collateralized by FDIC insurance.

The District had no funds at LAMP for the year ended December 31, 2017 or 2016. Louisiana Asset Management Pool ("LAMP"), a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares investments are valued at amortized cost. LAMP is designed to be highly liquid to give participants immediate access to their account balances.

**3. RECEIVABLES**

Accounts receivable customers at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable - customers	\$ 92,288	\$ 92,464
Allowance for bad debts	<u>(18,998)</u>	<u>(16,815)</u>
Total accounts receivable	<u>\$ 73,290</u>	<u>\$ 75,649</u>

Provision is made for an estimate of uncollectible accounts with approved write-offs charged against that provision.

**4. PENSION PLAN**

The District has adopted A SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 6% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees include those that have worked for the District for six months. Covered wages were \$100,816 and \$63,867 for the years ended December 31, 2017 and 2016, respectively. Contributions to the plan were \$6,049 and \$3,832 for the years ended December 31, 2017 and 2016, respectively.

## 5. CAPITAL ASSETS

The following is a summary of capital assets:

	Restated 1/1/2017 Beginning of Year	Additions	Transfers/ Retirements	12/31/2017 End of Year
Capital assets, non-depreciable				
Land	\$ 37,500	\$ -	\$ -	\$ 37,500
Construction in progress	-	-	-	-
Total capital assets non-depreciable	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
Capital assets, depreciable				
Machinery and equipment	251,303	23,476	-	274,779
Sewer system	7,559,403	31,424	-	7,590,827
Total	7,810,706	54,900	-	7,865,606
Accumulated depreciation	<u>4,985,349</u>	<u>277,743</u>	<u>-</u>	<u>5,263,092</u>
Total capital assets being depreciated net	<u>2,825,357</u>	<u>(222,843)</u>	<u>-</u>	<u>2,602,514</u>
Total capital assets	<u>\$ 2,862,857</u>	<u>\$ (222,843)</u>	<u>\$ -</u>	<u>\$ 2,640,014</u>

For the year ended December 31, 2017, additions totaled \$54,900 and depreciation was \$277,743.

For the year ended December 31, 2016, additions totaled \$185,257 and depreciation was \$273,855.

## 6. LONG-TERM LIABILITIES

### Changes in long-term debt

The following is a summary of bond transactions of the District for the years ending December 31, 2017 and 2016:

	<u>Revenue Bonds</u>	
	<u>2017</u>	<u>2016</u>
Bonds payable - beginning of year	\$ 1,463,000	\$ 1,667,500
Less bonds retired	211,500	204,500
Refunding issue	<u>-</u>	<u>-</u>
Bonds payable - end of year	<u>\$ 1,251,500</u>	<u>\$ 1,463,000</u>

Bonds payable at December 31, 2016 and 2015 are comprised of the following individual issues:

	<u>2017</u>	<u>2016</u>
Loans Payable - DOTD		
The Louisiana Department of Transportation and Development (DOTD) has advanced the District \$247,843 used to relocate sewerage lines. The loan does not have any stated repayment terms or interest rates. The relocation project was complete at December 31, 2012.	<u>\$ 108,392</u>	<u>\$ 126,457</u>

Revenue Bonds:

\$520,000 1983 sewer revenue bonds due in annual installments of principal and interest of approximately \$30,000 through 2023; interest at 5%	-	-
\$300,000 certificates of indebtedness, series 2015, due in annual installments of principal and interest of approximately \$64,682; average interest at 4.43%	184,000	243,000
\$1,150,000 2002 sewer revenue refunding bonds due in annual installments of principal of \$57,500 plus interest totaling \$51,808 for 2006 and reducing thereafter; interest at 5.3%	287,500	345,000
\$1,455,000 2009 sewer revenue refunding bonds due in annual installments of principal and interest of approximately \$133,000; average interest at 4.5%	<u>780,000</u>	<u>875,000</u>
Total revenue bonds	<u>1,251,500</u>	<u>1,463,000</u>
Total All	<u>\$ 1,359,892</u>	<u>\$ 1,589,457</u>

In accordance with R. S. 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At December 31, 2017, the statutory limit is approximately \$5,200,000, and outstanding bonded debt totals \$1,359,892

The annual requirements to amortize all bond debt outstanding at December 31, 2017 are as follows:

Year ending December 31	Interest	Principal	Interest
2018		\$ 235,566	\$ 55,680
2019		241,566	46,958
2020		243,566	37,607
2021		185,566	28,198
2022		190,566	20,090
2023 and after		263,062	17,575
Total		<u>\$1,359,892</u>	<u>\$ 206,108</u>

**Rate covenant-debt service charge**

In accordance with the District's bond resolution authorizing the issuance of its refunding bonds, the District, through its Board of Commissioners, covenants to fix, establish and maintain such rates and collect such fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, and will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operating and maintaining the system in each year, the principal and interest maturing on the Bonds and the Parity Bonds in each year, all reserve or sinking funds or other payments required for such year by the Bond Resolution, and all other obligations or indebtedness payable out of the revenues of the system for such year, and which will provide revenues in each year after paying all reasonable and necessary expenses of operating and maintaining the system in such year, at least equal to 125% of the largest amount of principal and interest maturing in any future fiscal year on the Bonds and any Parity Bonds.

For the year ended December 31, 2017 and 2016 the District's coverage exceeded required amounts.

### **Flow of funds; restrictions on use-sewer revenue**

Under the terms of the bond indentures on outstanding Sewer Revenue Bonds, all income revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Revenue is first deposited in Sewer Revenue Fund and shall first provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such transfers 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

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year. This fund reached its maximum required amount during 1999.

Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a Depreciation and Contingency Fund in an amount equal to 5% of the principal and interest payments required during each fiscal year. Money in the fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as maintenance in operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

### **Certificates of Indebtedness - Series 2015**

On November 4, 2015, the District issued \$300,000 Series 2015 Certificates of Indebtedness. The Certificates are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges in each to the fiscal years during which the Certificates are outstanding.

Each month, beginning with the month after the Certificates of Indebtedness were issued, or on before the 20th of the month, a sum equal to the principal and interest accruing for the Certificates for such calendar months shall be deposited into a "Certificates of Indebtedness, Series 2015 Sinking Fund" for payment of principal and interest on the Certificates.

**7. STATEMENT OF CASH FLOWS**

Reconciliation of operating income to net cash providing by operating activities:

	<u>2017</u>	<u>Restated 2016</u>
Operating income	\$ 126,472	\$ 131,796
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	277,743	273,855
Change in assets and liabilities:		
Decrease in accounts receivable	2,359	10,837
Increase in prepaid expenses	(3,344)	-
Increase (Decrease) in accounts payable	(4,553)	(2,931)
	<u>\$ 398,677</u>	<u>\$ 413,557</u>

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year.

**9. RESTATEMENT OF 2016 FINANCIAL STATEMENTS**

The financial statements for the year ended December 31, 2016 have been restated to correct an error in depreciation and accumulated depreciation. Depreciation expense and accumulated depreciation have been reduced by \$80,000 at January 1, 2017.

**10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 24, 2018, the date the financial statements were available to be issued, and determined that no additional disclosures are necessary.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS**  
**YEAR ENDED DECEMBER 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Calvin Millender	\$ 900	\$ 1,140
Winnie Antoine	780	180
Danny Benard	-	780
Dean Irwin	-	60
Jo Ann Witkowski	840	1,080
Elizabeth Miller	900	1,020
George Wilson	-	660
Kenny Ford	180	-
Patrick Rambin	360	-
	<hr/>	<hr/>
Total	<u>\$ 3,960</u>	<u>\$ 4,920</u>

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS, AND OTHER PAYMENTS**  
**TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2017 and 2016**

	<u>2,017</u>	<u>2016</u>
Agency Head: Chairman, Calvin Millender		
Per Diem	<u>\$ 900</u>	<u>\$ 1,140</u>

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINDING 2016 - #1:**

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

**STATUS:** Unresolved.

**FINDING 2016 - #2:**

The District was not in compliance with the terms of debt covenants.

**STATUS:** Resolved.



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Commissioners  
Caddo Parish Sewerage District No. 7  
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Caddo Parish Sewerage District No. 7 as of and for the year ended December 31, 2017, and related notes to the financial statements, and have issued my report thereon dated May 24, 2018.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Caddo Parish Sewerage District No. 7's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weaknesses and is reported as Finding #2017-1.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 7's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as Finding# 2017-2.

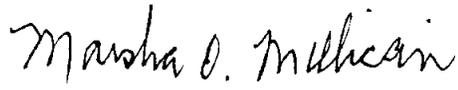
810 WILKINSON  
SHREVEPORT, LA 71104-3036  
(318) 221-3881  
FAX: (318) 221-4641

Caddo Parish Sewerage District No. 7's Response to Findings

Caddo Parish Sewerage District No. 7's response to the findings identified in my audit are described in the accompanying Schedule of Findings. Caddo Parish Sewerage District No. 7's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Certified Public Accountant  
May 24, 2018

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**SCHEDULE OF FINDINGS**

**YEAR ENDED DECEMBER 31, 2017**

**Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency in internal control over financial reporting, which is a material weakness, was disclosed during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements was disclosed during the audit.

**Finding # 2017-1:**

**Criteria:**

Effective internal control requires segregation of duties.

**Condition:** Employees perform interrelated duties.

**Cause:**

The condition is due to space and economic limitations.

**Effect:** Unknown.

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

**Management's Response and Corrective Action Plan:**

We agree with the finding. We will segregate duties whenever possible.

**Finding 2017-2:**

**Criteria:**

State law requires all employees to obtain ethics training on an annual basis.

**Condition:**

All employees did not obtain ethics training for the year ended December 31, 2017.

CADDO PARISH SEWERAGE DISTRICT NO. 7

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2017

Finding 2017-2 (Continued)

Cause:

Oversight by District staff.

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

Recommendation:

I recommend District employees obtain annual ethics training.

Management's Response:

We concur with the finding. All employees will obtain annual ethics training in the future.



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

To the Board of Commissioners  
Caddo Parish Sewerage District No. 7

I have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of Caddo Parish Sewerage District No. 7 (the District) to assist the District in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal year ended December 31, 2017. I am required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUP and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for their purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

### ***Written Policies and Procedures***

---

1. I obtained the entity's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:
  - ***Budgeting***, including preparing, adopting, monitoring and amending the budget.
  - ***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.
  - ***Disbursements***, including processing, reviewing and approving.
  - ***Receipts***, including receiving, recording, and preparing deposits.
  - ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **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.
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
  - a) Procedures Results - The entity has no written policies and procedures regarding the above topics.
  - b) Management's Response - We will amend policies and procedures to incorporate the above topics.

***Board (or Finance Committee, if applicable)***

---

2. I obtained and reviewed the board/committee minutes for the fiscal period, and:

- Determined whether the managing board met (with a quorum) at least monthly, or in a frequency in accordance with board's enabling legislation, charter, or other equivalent document.
- Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

If the budget-to actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

- Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least meeting during the fiscal period.
  - a) Procedures Results - I noted no exceptions.

### ***Bank Reconciliations***

---

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

### ***Collections***

---

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

Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and determined whether the the deposits were made within one day of collection. If deposits were not made within one day of collection, I determined the number of days from receipt to deposit for each day at each collection location.

Using sequentially numbered receipts, system reports, or other related collection documentation I verified that daily cash collections are completely supported by documentation and noted any documentation and noted any exceptions.

7. I obtained written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.
  - a) Procedure Results - I noted no exceptions.

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

8. I obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sort/filter for entity disbursements. I obtained management's representation that the listing or general population is complete.
9. Using the disbursement population from #8 above, I randomly selected 30 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. I obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
  - Purchases were initiated using a requisition/purchase order system or an equivalent system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or an electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), I noted whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), I noted whether the person with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. I inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, I reviewed entity documentation (electronic system control documentation) and noted whether the persons with signatory authority have signatory authority have system access to print checks.

13. If a signature stamp or signature machine is used, I inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. I inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

a) Procedure Results - I noted no exceptions.

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

---

14. I obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. I obtained management's representation that the listing is complete.

15. Using the listing prepared by management, I randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

I obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. I selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- Determined whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g. mayor of a Lawrason Act municipality); these instances should not be reported.]
- Determined whether finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, I obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- For each transaction, I determined whether the transaction is supported by:

An original itemized receipt (i.e., identifies precisely what was purchased).

Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Other documentation that may be required by written policy (e.g. purchase order, written authorization).

- For each transaction, I compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- For each transaction, I compared the entity's documentation of the business/public purpose to the requirement of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

a) Procedure Results - I noted no exceptions.

### ***Travel and Expense Reimbursement***

---

17. I obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. I obtained management's representation that the listing or general ledger is complete.

18. I obtained the entity's written policies related to travel and expense reimbursements. I compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

19. Using the listing or general ledger from #17 above, I selected the three persons who incurred the most travel costs during the fiscal period. I obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- I compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, and lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- I determined whether each expense is supported by:

An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Documentation of the business/public purpose [Note: For meal charges, there should also be documentation of the individuals participating].

Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- I compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- I determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
  - a) Procedure Results - I noted no exceptions.

### ***Contracts***

---

20. I obtained a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. I obtained management's representation that the listing or general ledger is complete.

21. Using the listing above, I selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). I obtained the related contracts and paid invoices and:

- Determined whether is a formal/written contract that supports the services arrangement and the amount paid.
- I compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. I noted whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g. solicited quotes or bids, advertisement, selected lowest bidder).

If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

- I determined whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- I selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and noted whether the invoice and related payment complied with the terms and conditions of the contract.
- I obtained/reviewed contract documentation and board minutes and determined whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

a) Procedure Results - I noted no exceptions.

### ***Payroll and Personnel***

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22. I obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. I randomly selected five employees/officials, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. I obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within the pay period, I randomly selected 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). [Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.]
  - b) Determined whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - c) Determined whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. I obtained from management a list of those employees/officials that terminated during the fiscal period and managements representation that the list is complete. If applicable, I selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. I noted whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. I obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. I determined whether the employee and employer portions of the payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.
- a) Procedure Results - I noted no exceptions.

### ***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, I obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.

27. I inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, I reviewed documentation that demonstrates whether management investigate alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. I determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

- a) Procedure Results - I noted that all employees did not receive ethics training for the year ended December 31, 2017.
- b) Management's Response - All employees and board members will complete ethics training.

***Debt Service (excluding nonprofits)***

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

29. If the entity had outstanding debt during the fiscal period, I obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

30. If the entity had tax millages relating to debt service, I obtained supporting documentation and whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, I determined whether any millages continue to be received for debt that has been paid off.

- a) Procedures Results - I noted no exceptions.

***Other***

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31. I inquired of management whether the entity had any misappropriations of public funds or assets. If so, I obtained/reviewed supporting documentation and noted whether the entity had reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

32. I observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

- a) Procedures Results - I noted one exception: the notice required by R.S.24:523.1 was not posted on the premises. The District has no website.
- b) Management's Response - We have subsequently posted the above notice on the premises.

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

This report is intended solely for the information and use of the Council and the LLA, and is not intended to be, and should not be, used by anyone other than the specified parties.

A handwritten signature in cursive script that reads "Masluo. Melhian".

Certified Public Accountant  
May 24, 2018