

**COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO. 1
Columbia, Louisiana**

Annual Financial Statements

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

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Columbia, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2017

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DISTRICT NO.1
Columbia, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2017

C O N T E N T S (Contd.)

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Independent Auditor's Report

BOARD OF COMMISSIONERS
COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Columbia, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Columbia Heights Sewerage District No. 1, a component unit of Caldwell Parish, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Member of the American Institute of Certified Public Accountants
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BOARD OF COMMISSIONERS
COLUMBIA HEIGHTS SEWERAGE
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December 31, 2017

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Heights Sewerage District No. 1, as of December 31, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Columbia Heights Sewerage District No. 1's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

BOARD OF COMMISSIONERS
COLUMBIA HEIGHTS SEWERAGE
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Independent Auditor's Report
December 31, 2017

generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2018, on my consideration of Columbia Heights Sewerage District No. 1's internal control over financial reporting and on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Columbia Heights Sewerage District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

/s Carleen Dumas
Callhoun, Louisiana
June 22, 2018

COLUMBIA HEIGHTS SEWERAGE DISTRICT NO. 1
Columbia, Louisiana

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

Our discussion and analysis of Columbia Heights Sewerage District No. 1'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 10.

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 Columbia Heights Sewerage District No. 1 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.

COLUMBIA HEIGHTS SEWERAGE DISTRICT NO. 1
 Columbia, 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, non-capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The District's total net position increased by \$146,987 during 2017. Operating revenues were approximately the same as the prior year amounts. Operating expenses increased \$79,472 with the largest increase in depreciation expense. There was a \$190,245 increase in long-term liabilities due to an advance of water revenue bond proceeds from USDA in the amount of \$220,000 for the sewer system improvement project. The following presents an analysis of net position and changes in net position of the District:

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$606,669	\$372,861
Restricted assets	600,951	617,667
Other assets	753	753
Capital assets, net	<u>2,130,544</u>	<u>2,047,655</u>
Total assets	<u>3,338,917</u>	<u>3,038,936</u>
Liabilities		
Current liabilities	51,803	94,364
Long-term liabilities	<u>1,647,337</u>	<u>1,457,092</u>
Total liabilities	<u>1,699,140</u>	<u>1,551,456</u>
Net Position		
Net investment in capital assets	453,438	585,655
Restricted	600,951	545,100
Unrestricted	<u>585,388</u>	<u>356,725</u>
Total net position	<u>1,639,777</u>	<u>1,487,480</u>
	<u>2017</u>	<u>2016</u>
Operating revenues	282,111	279,731
Operating expenses	242,777	163,305
Non-operating revenues	107,653	108,102
Change in net position	146,987	224,528
Net position - beginning (restated)	<u>1,492,790</u>	<u>1,262,952</u>
Net position - ending	<u>\$1,639,777</u>	<u>\$1,487,480</u>

COLUMBIA HEIGHTS SEWERAGE DISTRICT NO. 1
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

OVERALL FINANCIAL POSITION

The District's change in net position was a \$146,987 increase. Unrestricted net position (net position available to finance the daily operations of the district) was \$585,388 at year end. Net position restricted for construction was \$309,066 and net position restricted by the 2017 Sewer Revenue Bond issue was \$291,885. The net amount invested in capital assets was \$453,438 at year end.

CAPITAL ASSETS AND DEBT

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$2,130,544. Capital assets include land, the sewerage system, buildings, and equipment costing \$1,000 or more. The District incurred \$163,890 in engineering fees, construction costs, and interest during 2017 in connection with a major sewer system improvement project. The project was completed and accepted in April 2017. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During 2017 the District issued an additional \$220,000 in Sewer Revenue Bonds, Series 2016. The bond proceeds were used to repay the interest only payment on the sewer revenue bonds and provide financing for the sewer system improvement project. The total amount of revenue bonds issued by the district in connection with the sewer system improvement project was \$1,682,000. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The District anticipates that 2018 operating revenues and expenses will be approximately the same as 2017 amounts except for an increase in interest expense and depreciation expense as the sewer system improvement project was completed during 2017.

BASIC FINANCIAL STATEMENTS

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
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STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current assets:

Cash	\$582,237
Accounts receivable - sewer fees	24,432
Total current assets	606,669

Noncurrent assets:

Restricted:

Cash	554,056
Investments	46,895
Other assets	753
Property, plant and equipment (net of accumulated depreciation)	2,130,544
Total noncurrent assets	2,732,248
Total assets	3,338,917

LIABILITIES

Current liabilities:

Accounts payable	10,325
Payroll taxes payable	1,088
Accrued interest payable	1,551
Current portion of long-term debt	29,769
Customer meter deposits	9,070
Total current liabilities	51,803

Noncurrent liabilities - revenue bonds payable

Total liabilities	1,647,337
	1,699,140

NET POSITION

Net investment in capital assets	453,438
Restricted for construction	309,066
Restricted by revenue bonds	291,885
Unrestricted	585,388
Total net position	\$1,639,777

See accompanying notes.

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

OPERATING REVENUE	
Sewer service fees	\$280,251
Sewer tap fees	1,000
Other operating revenue	860
Total operating revenue	282,111
OPERATING EXPENSES	
Commissioners fees	5,100
Accounting	6,030
Repairs and maintenance	6,144
Materials and supplies	6,976
Office expense	3,545
Utilities and telephone	30,330
Insurance	11,615
Salaries	58,893
Payroll taxes	4,912
Consulting fees	6,000
Collection expense	2,316
Lab tests	4,320
Gasoline	2,421
Election expense	11,268
Depreciation	81,001
Other operating expenses	1,906
Total operating expenses	242,777
OPERATING INCOME	39,334
NON-OPERATING REVENUES (Expenses)	
Interest expense	(7,076)
Interest income	293
Property taxes	112,799
State revenue sharing	1,637
Total non-operating revenues	107,653
CHANGE IN NET POSITION	146,987
NET POSITION - BEGINNING (Restated)	1,492,790
NET POSITION - ENDING	\$1,639,777

See accompanying notes.

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$281,938
Customer deposit receipts, net	3,630
Payments to suppliers	(92,510)
Payments to employees and board members	(63,993)
Net cash provided by operating activities	<u>129,065</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Construction of capital assets	(140,918)
Proceeds from revenue bonds	220,000
Payment of principal of revenue bonds	(4,893)
Payment of interest on revenue bonds	(34,284)
Repayment of revenue bond proceeds to Columbia Heights Water District	(66,781)
Net cash used by capital financing activities	<u>(26,876)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property tax receipts	112,799
State revenue sharing receipts	1,637
Net cash provided by non-capital financing activities	<u>114,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	293
Decrease in restricted cash	17,010
Increase in restricted investments	(293)
Net cash used by investing activities	<u>17,010</u>
NET INCREASE IN CASH	233,635
CASH AT BEGINNING OF YEAR	348,602
CASH AT END OF YEAR	<u>\$582,237</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$39,334</u>
Adjustments:	
Depreciation	81,001
Increase in accounts receivable	(174)
Increase in accounts payable	5,120
Increase in payroll taxes payable	154
Increase in customer deposits	3,630
Total adjustments	<u>89,731</u>
Net cash provided by operating activities	<u>\$129,065</u>

See accompanying notes.

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

INTRODUCTION

Columbia Heights Sewerage District No. 1 was created by the Caldwell Parish Police Jury on August 21, 1977, as authorized by Louisiana Revised Statute 33:3881. The district is governed by a five member board appointed by the police jury. Columbia Heights Sewerage District No. 1 commissioners receive \$100 per meeting attended. The district is responsible for maintaining and operating a sewerage collection and disposal system within the boundaries of the district and has three part-time 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, the Columbia Heights Sewerage District No. 1 is considered a component unit of Caldwell Parish. As a component unit, the accompanying financial statements may be 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 Columbia Heights Sewerage District No. 1 is a special-purpose government engaged only in business-type activities.

**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 the Columbia Heights Sewerage District No. 1 are sewer service fees and tap fees. 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 includes amounts in non-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 investment consists of nonnegotiable certificates of deposit 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 12 months.

D. Receivables

Accounts receivable consist of amounts due from customers for sewer service provided prior to year end. Receivables are generally shown net of an allowance for uncollectible amounts. 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. Past due amounts are written off as bad debts when considered uncollectible by management.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. For the year ended December 31, 2017, taxes of 4.40 mills were levied on property with assessed valuations totaling approximately \$26,906,670, for maintenance and operation of the sewerage district. On November 18, 2017, the voters of the District approved a renewal of the 4.40 mills tax for a period of twenty years, beginning with the year

COLUMBIA HEIGHTS SEWERAGE
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 Notes to the Financial Statements

2018 and ending with the year 2037, for the purpose of constructing, improving, maintaining, and operating the sewers and sewerage disposal works and system of the District.

E. Restricted Assets

Certain resources set aside to meet requirements in connection with the 2016 Sewer Revenue Bonds and for construction of major system improvements are classified as restricted assets on the balance sheet because their use is limited. It is the policy of the district to first use the restricted assets for construction but otherwise to use nonrestricted assets when both restricted and nonrestricted assets are available.

F. Capital Assets

Capital assets, which include land, the sewerage system, buildings, and equipment are reported in the enterprise fund financial statements. All of the district’s capital assets are capitalized at historical cost. The Columbia Heights Sewerage District No. 1 maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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>
Infrastructure - Sewerage system	25 years
Buildings	25 years
Equipment	5- 10 years

G. Long-term Obligations

Long-term debt such as revenue bonds payable are reported as noncurrent liabilities on the statement of net position.

H. 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

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Notes to the Financial Statements

revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

I. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2017:

Total interest cost expensed	\$7,076
Total interest cost capitalized	<u>22,972</u>
Total interest costs incurred	<u><u>\$30,048</u></u>

2. DEPOSITS IN FINANCIAL INSTITUTIONS

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

Non-interest bearing checking accounts	\$1,136,293
Investments - certificates of deposit	<u>46,895</u>
Total	<u><u>\$1,183,188</u></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. At December 31, 2017, the Columbia Heights Sewerage District No. 1 has \$1,187,539 in deposits (collected bank balances). These deposits are secured from risk by \$296,895 of federal deposit insurance and \$923,507 of pledged securities held by an unaffiliated bank in the name of the fiscal agent bank.

3. ACCOUNTS RECEIVABLE

At December 31, 2017, the district has net receivables of \$24,432 as follows:

Sewer service fees	\$24,432
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u><u>\$24,432</u></u>

4. CAPITAL ASSETS

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

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Notes to the Financial Statements

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Capital assets not being depreciated:				
Land	\$35,517			\$35,517
Construction in progress	1,930,245	\$163,890	(\$2,094,135)	NONE
Total capital assets not being depreciated	<u>1,965,762</u>	<u>163,890</u>	<u>(2,094,135)</u>	<u>35,517</u>
Capital assets being depreciated:				
Sewerage system	2,029,704	2,094,135	(1,519,350)	2,604,489
Buildings	23,160			23,160
Equipment	97,321		(55,739)	41,582
Total capital assets being depreciated	<u>2,150,185</u>	<u>2,094,135</u>	<u>(1,575,089)</u>	<u>2,669,231</u>
Less accumulated depreciation for:				
Sewerage system	1,967,663	76,258	(1,519,350)	524,571
Buildings	21,976	70		22,046
Equipment	78,653	4,673	(55,739)	27,587
Total accumulated depreciation	<u>2,068,292</u>	<u>81,001</u>	<u>(1,575,089)</u>	<u>574,204</u>
Total assets being depreciated, net	<u>81,893</u>	<u>2,013,134</u>	<u>NONE</u>	<u>2,095,027</u>
Total assets, net	<u><u>\$2,047,655</u></u>	<u><u>\$2,177,024</u></u>	<u><u>NONE</u></u>	<u><u>\$2,130,544</u></u>

The amount recorded as construction in progress was engineering fees, construction costs, and interest incurred during the construction period that were incurred during 2017 in connection with a major sewer system improvement project. The project was completed and accepted in April 2017. The decrease in capital assets being depreciated and accumulated depreciation were fully depreciated assets that were replaced with the sewer system improvements. Depreciation expense of \$81,001 for the year ended December 31, 2017 was reported in the statement of revenues, expenses, and changes in net position.

5. LONG-TERM OBLIGATIONS

On October 13, 2017, the District issued \$1,682,000 in Sewer Revenue Bonds, Series 2016. The bonds were issued in series R-1 in the amount of \$1,391,000 and R-2 in the amount of \$291,000. The

COLUMBIA HEIGHTS SEWERAGE
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Notes to the Financial Statements

bonds were purchased by the United States Department of Agriculture and principal was advanced to the District in amounts needed to repay the principal and interest due on two different series of Bond Anticipation Notes and to provide financing for a portion of the costs of constructing and acquiring improvements to the sewage system. Both series of bonds bear interest at 1.875% and are payable over a 40 year period consisting of interest only on October 13, 2017, and commencing on November 13, 2017, monthly installments of principal and interest through October 13, 2056. The bonds are secured by a pledge of the income and revenues of the District after the payment of all reasonable and necessary expenses of operating and maintaining the sewer system.

The following is a summary of long-term debt transactions for the year ended December 31, 2017:

	Sewer Revenue Bonds Series R-1	Sewer Revenue Bonds Series R-2	Total
Balance at January 1, 2017	\$1,391,000	\$71,000	\$1,462,000
Additions		220,000	220,000
Reductions	(4,047)	(847)	(4,894)
Balance at December 31, 2017	<u>\$1,386,953</u>	<u>\$290,153</u>	<u>\$1,677,106</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 sewer revenue bonds as of December 31, 2017:

Current portion	\$29,769
Long-term portion	<u>1,647,337</u>
Total	<u>\$1,677,106</u>

The principal and interest payments on all debt outstanding are due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2018	\$29,769	\$31,191	\$60,960
2019	30,333	30,627	60,960
2020	30,906	30,054	60,960
2021	31,491	29,469	60,960
2022	32,086	28,874	60,960
2023-2027	169,767	135,033	304,800
2028-2032	186,438	118,362	304,800
2033-2037	204,746	100,054	304,800
2038-2042	224,854	79,946	304,800

COLUMBIA HEIGHTS SEWERAGE
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Notes to the Financial Statements

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2043-2047	\$246,935	\$57,865	\$304,800
2048-2052	271,186	33,614	304,800
2053-2056	218,595	7,862	226,457
Total	<u>\$1,677,106</u>	<u>\$682,951</u>	<u>\$2,360,057</u>

6. RESTRICTED ASSETS

The letter of conditions issued by the United States Department of Agriculture in connection with the 2016 Sewer Revenue Bond issue required the District to set aside a total of \$291,885 in reserve accounts. In addition, the letter of conditions also required that the District deposit all bond advances into a separate Construction Account to be used solely for the payment of costs incurred for the sewer improvement project. At December 31, 2017, the District has a total of 600,951 set aside to meet the requirements of the letter of conditions.

7. RESTATEMENT OF BEGINNING NET POSITION

The amount reported for the customer meter deposit liability in the prior year financial statements was overstated by \$5,310. Beginning net position reported in the accompanying financial statements has been restated as follows :

Beginning net position as previously reported	\$1,487,480
Customer meter deposit liability overstated	<u>5,310</u>
Beginning net position, restated	<u>\$1,492,790</u>

8. CONTINGENCIES

During the year ended December 31, 2017, the District expended \$163,890 in federal loan funds from the United States Department of Agriculture. These expenses are subject to audit and adjustment by the United States Department of Agriculture; therefore, to the extent that the District has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the District’s management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Notes to the Financial Statements

9. 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.

10. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through June 22, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION SCHEDULES

COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
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SUPPLEMENTAL INFORMATION SCHEDULE
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, Columbia Heights Sewerage District No. 1 commissioners receive \$100 per meeting attended.

COLUMBIA HEIGHTS SEWERAGE
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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 - Louis Champagne - President	\$1,200
Tommy Basco	1,200
Stuart Baum	1,100
Monty Adams	1,000
Laura Roquemore	<u>600</u>
Total	<u>\$5,100</u>

Independent Auditor's Reports
Required by *Government Auditing Standards* and the Uniform Guidance

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, 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 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
COLUMBIA HEIGHTS SEWERAGE
DISTRICT NO.1
Columbia, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Columbia Heights Sewerage District No. 1, a component unit of Caldwell Parish, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Columbia Heights Sewerage District No. 1's basic financial statements and have issued my report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Columbia Heights Sewerage District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my 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 of the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the

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on Compliance and on
Internal Control, etc.,
December 31, 2017

deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbia Heights Sewerage District No. 1's financial statements are free from material misstatement, I performed tests of the District's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Responses to Findings

Columbia Heights Sewerage District No. 1's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

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 of 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.

/s Carleen Dumas
Calhoun, Louisiana
June 22, 2018

COLUMBIA HEIGHTS SEWERAGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - Yes
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

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: The accounting duties of billing, collecting, depositing, and posting customer payments to customers accounts' is 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.

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Schedule of Findings and Questioned Costs

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: 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 or schedule of expenditure of federal awards 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.

2017-003. Failure to Reconcile Customer Meter Deposit Liability to Customer Records

Criteria: Proper internal controls should include reconciling, on a monthly basis, the customer meter deposit liability recorded in the general ledger with the listing of customers' meter deposits maintained in the billing software.

Condition: The listing of customers' meter deposits maintained in the billing software has not been reconciled to the customer meter deposit liability recorded in the general ledger.

Cause: Oversight.

Effect: Errors in customer meter deposit records were not detected within a timely period.

Recommendation: The listing of customers' meter deposits maintained in the billing software should be reconciled on a monthly basis to the customer meter deposit liability reported in the general ledger.

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Schedule of Findings and Questioned Costs

Management's Response: Beginning with the month of July 2018, the Secretary/Bookkeeper of the District will reconcile, on a monthly basis, the listing of customers' meter deposits maintained in the billing software to the customer meter deposit liability reported in the general ledger.

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

Financial Statement Findings

Finding No. 2016-001. Noncompliance with Public Bid Law (Initially Occurred 2016)

Condition: The District did not advertise for bids as required by the Public Bid Law for purchase of a vehicle.

Current Status: The condition has been resolved.

Finding No. 2016-002. Incomplete Accounting Records (Initially Occurred 2016)

Condition: The transactions of the USDA Construction bank account were not posted to the general ledger maintained in Quickbooks.

Current Status: The condition has been resolved.

Finding No. 2016-003. Failure to Reconcile Customer Meter Deposit Liability to Customer Records (Initially Occurred 2016)

Condition: The listing of customers' meter deposits maintained in the billing software had not been purged for refunded or forfeited deposits and the listing did not include deposits for all active customers. Additionally, the listing had not been reconciled to the customer meter deposit liability recorded in the general ledger.

Current Status: The condition has been partially resolved. See finding 2017-003 in the Schedule of Findings and Questioned Costs.

Finding No. 2016-004. Inadequate Segregation of Accounting Duties (Initially Occurred 2000)

Condition: All accounting duties are performed by one employee.

Current Status: The condition has not been resolved because it is not economically feasible to correct this deficiency based on the size of the District.

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Summary Schedule of Prior Year Findings

Finding No. 2016-005. Inadequate Controls Over Preparation of Annual Financial Statements and Schedule of Expenditure of Federal Awards (Initially Occurred 2016)

Condition: The District does not have an individual with the expertise to perform these internal control functions effectively.

Current Status: The condition has not been resolved because it is not economically feasible to correct this deficiency based on the size of the District.

Finding No. 2016-006. Inadequate Controls Over Accounting Records Used in Preparation of Annual Financial Statements and Schedule of Expenditure of Federal Awards (Initially Occurred 2016)

Condition: The transactions of the USDA Construction bank account were not posted to the general ledger maintained in Quickbooks.

Current Status: The condition has been resolved.

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
COLUMBIA HEIGHTS SEWERAGE
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LOUISIANA LEGISLATIVE AUDITOR

I have performed the procedures enumerated below, which were agreed to by Columbia Heights Sewerage District No. 1 (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Does not apply to the District for the year ended December 31, 2017.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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The District does not have written purchasing policies and procedures.

- c) **Disbursements**, including processing, reviewing, and approving

The District does not have written disbursements policies and procedures.

- d) **Receipts**, including receiving, recording, and preparing deposits

The District does not have written receipts policies and procedures.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The District does not have written payroll/personnel policies and procedures.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The District does not have written contracting policies and procedures.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

Does not apply to the District for the year ended December 31, 2017.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The District does not have written travel and expense reimbursement policies and procedures.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

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The District does not have written ethics policies and procedures.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have written debt service policies and procedures.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, or other equivalent document.

The District’s Board of Commissioners met on a monthly basis.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity’s prior audit (GAAP-basis).

Does not apply to the District for the year ended December 31, 2017.

- 1) 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.

Does not apply to the District for the year ended December 31, 2017.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes of the Board of Commissioners included the approval of a salary increase and approval of financial statements.

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Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Management provided the required listing and a representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all months in the fiscal period for all checking accounts selected except for the Construction Fund.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

There was no evidence that bank reconciliations were reviewed by someone with no involvement in the transactions associated with the bank account.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

One of the three bank reconciliations had a reconciling item that had been outstanding for more than 6 months at December 31, 2017. There was no documentation that management had researched the outstanding items.

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Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the required listing and a representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The District employee responsible for receiving checks in the mail is bonded. There are no other collection sites. Due to the limited number of employees, the employee who collects checks through the mail is also responsible for depositing cash in the bank, recording the related transaction, and reconciling the related bank account. The District employee does not use a cash register or cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Due to the limited number of employees, the District does not have a formal process to reconcile checks received in the mail to the general ledger and/or subsidiary ledgers, by an employee who is not also responsible for collections.

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- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- 1) Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The District's collection documentation does not include daily posting of cash receipts to the general ledger. Therefore, I selected my sample of cash collections based on the highest month of collections which was April 2017. One of the four checks received was deposited within one day of collection. There was no documentation of the date the other three checks were received by the District.

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collections for April 2017 were completely supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Due to the limited number of employees, the District does not have a process to determine completeness of all collections by an employee who is not responsible for collections.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

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Management provided the required listing and a representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The District does not use a requisition/purchase order system to initiate purchases.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The District does not use a requisition/purchase order system to initiate purchases.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

The District does not use a requisition/purchase order system to initiate purchases nor does it maintain receiving reports as documentation for purchases. There were invoices to support all 25 disbursements that were tested and all 25 invoices were initialed by the Board President.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Due to the limited number of employees, the Secretary/Bookkeeper is responsible for processing payments and adding vendors to the disbursement system.

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11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases in the general ledger.

The District's maintenance personnel initiate purchases and the Board President approves the invoice for payment and co-signs the check. Due to limited number of employees, the Secretary/Bookkeeper is responsible for co-signing checks and recording purchases/disbursements.

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

The supply of unused checks is maintained in a locked safe. Due to the limited number of employees, the Secretary/Bookkeeper has access to the unused checks as well as being responsible for co-signing checks.

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

The District does not use a signature stamp to sign checks. Signed checks are under the control of the Secretary/Bookkeeper until mailed.

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

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

The District does not use credit cards, bank debit cards, fuel cards, or P-cards.

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

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year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [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.)]

Does not apply to the District for the year ended December 31, 2017.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Does not apply to the District for the year ended December 31, 2017.

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

- a) For each transaction, report whether the transaction is supported by:

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

Does not apply to the District for the year ended December 31, 2017.

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

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Does not apply to the District for the year ended December 31, 2017.

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

Does not apply to the District for the year ended December 31, 2017.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Does not apply to the District for the year ended December 31, 2017.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Does not apply to the District for the year ended December 31, 2017.

Travel and Expense Reimbursement

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

From a review of the general ledger, I determined that there were no travel and related expense reimbursements made to any person during the year. Management provided a representation that there were none.

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18. Obtain the entity’s written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The District does not have written travel and expense reimbursement policies and procedures.

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

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

Does not apply to the District for the year ended December 31, 2017.

- b) Report whether each expense is supported by:

- 1) 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.]

Does not apply to the District for the year ended December 31, 2017.

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Does not apply to the District for the year ended December 31, 2017.

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

Does not apply to the District for the year ended December 31, 2017.

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- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Does not apply to the District for the year ended December 31, 2017.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Does not apply to the District for the year ended December 31, 2017.

Contracts

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

I identified contract payments from review of the general ledger. Management provided a representation that the listing of payments is complete.

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

There was a formal written contract for two of the three vendors selected.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

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- 1) 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)

One of the two contracts was subject to the Louisiana Public Bid Law. The District complied with the legal requirements of the Louisiana Public Bid Law for the contract.

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

One of the two contracts was a professional services contract for engineering services that was entered into during 2015.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

There were no contract amendments during the year.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Both of the payments selected were supported by invoices that complied with the terms of the contracts.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Both of the payments selected were approved by the board or the Board President.

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Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Management provided the required listing and a representation that the listing is complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

For the employees selected, payments made to employees were made in strict accordance with the District's pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

For the employees selected, only one employee had a pay rate change during the year. This employee's hourly rate increase was approved by the Board of Commissioners.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Does not apply to the District for the year ended December 31, 2017. The District has only part-time employees.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

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Does not apply to the District for the year ended December 31, 2017. The District has only part-time employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Does not apply to the District for the year ended December 31, 2017. The District has only part-time employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no employees terminated during the year. Management provided a representation that no employees were terminated during the year.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Payroll taxes as well as the required reports were submitted to the applicable agencies by the required deadlines. None of the District's employees are eligible to be in a retirement system.

Ethics (excluding nonprofits)

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

There was no documentation that the District's employees/officials completed the required ethics training during the year.

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

There were no alleged ethics violations reported to the District during the year ended December 31, 2017.

Debt Service (excluding nonprofits)

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

State Bond Commission approval was obtained for the debt issued during the year ended December 31, 2017.

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

The District made the scheduled debt service payments and maintained debt reserves, as required by the debt covenants.

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

The District did not have any tax millages relating to debt service during the year ended December 31, 2017.

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Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The District did not have any misappropriations of public funds or assets during the year ended December 31, 2017.

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

The District did not post the notice required by R.S. 24:523.1 on its premises. The District does not have a website.

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

No exceptions regarding management's representations in the above procedures were noted.

Management's Response to Exceptions:

1. The District will develop and adopt written policies and procedures as required by best practices by the LLA.
2. Monthly bank reconciliations will be reviewed and initialed by the Board President.
3. The Secretary/Bookkeeper will research and clear all reconciling items that are outstanding for 6 months or more and attach documentation to the bank reconciliation for the month the item is cleared.

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4. Due to the size of the District, it is impractical to implement a one day deposit rule. Deposits of checks received will be made within one week of receipt.
5. The District will obtain a written contract with James Stuart for consulting services.
6. Employees and board members of the District will complete one hour of ethics training each year and then provide either a certificate of completion or signature verification to the Secretary/Bookkeeper.
7. The District will post the notice concerning the reporting of misappropriation, fraud, waste, or abuse at its premises.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, 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.

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

/s Carleen Dumas
Calhoun, Louisiana
June 23, 2018