

WATERWORKS DISTRICT NO. 2
OF THE PARISH OF BEAUREGARD
BEAUREGARD PARISH POLICE JURY
STATE OF LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

Table of Contents

	Statement	Page(s)
INDEPENDENT AUDITOR’S REPORT	-	1-2
BASIC FINANCIAL STATEMENTS:		
Statement of Net Position	A	4
Statement of Activities	B	5
Statement of Net Position – Proprietary Fund	C	6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	D	7
Statement of Cash Flows – Proprietary Fund	E	8-9
Notes to the Financial Statements	-	11-17
	Schedule	Page(s)
Other Supplemental Schedules		
Schedule of Per Diem Paid to Board Members	1	19
Schedule of Compensation, Benefits and Other Payments to Agency Head	2	20
Other Reports		
Schedule of Prior Year Audit Findings	3	22
Schedule of Current Year Audit Findings and Management’s Response	4	23-24
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	25-26
Independent Accountant’s Report on Applying Agreed-Upon Procedures	-	27-38

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's, basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana as of December 31, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements. The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are the responsibility of management and were 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are fairly stated in all materials respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
May 15, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position
For the Year Ending December 31, 2017

	Business-type Activities - <u>Enterprise Fund</u> Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,616,709
Receivables:	
Accounts	45,166
Ad valorem taxes	628,741
Total current assets	<u>\$ 3,290,616</u>
Noncurrent Assets	
Land	\$ 124,673
Work in progress	407,499
Utility plant and equipment - net	2,719,846
Total noncurrent assets	<u>\$ 3,252,018</u>
Total assets	<u><u>\$ 6,542,634</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 38,785
Contracts payable	90,530
Payroll benefits payable	2,275
Pension payable - ad valorem tax	22,374
Total current liabilities	<u>\$ 153,964</u>
Noncurrent Liabilities	
Customer deposits	\$ 8,000
Total liabilities	<u>\$ 161,964</u>
Net Position	
Net investment in capital assets	\$ 3,252,018
Unrestricted	<u>3,128,652</u>
Total net position	<u>\$ 6,380,670</u>
Total liabilities and net position	<u><u>\$ 6,542,634</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement B

Statement of Activities
For the Year Ending December 31, 2017

Program Activities	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Revenues and Changes in Net Business-type Activities
Business-type activities:				
Water system	\$ 1,068,604	\$ 630,207	\$ -	\$ (438,397)
General revenues:				
Investment earnings				\$ 1,440
Ad valorem tax receipts				653,474
Miscellaneous				1,372
Total general revenues				<u>656,286</u>
Change in net position				217,889
Net position at beginning of year				<u>6,162,781</u>
Net position at end of year				<u>\$ 6,380,670</u>

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2017

	Business-type Activities - Enterprise Fund <u>Water and Sewer</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,616,709
Receivables:	
Accounts	45,166
Ad valorem taxes	628,741
Total current assets	<u>\$ 3,290,616</u>
Noncurrent Assets	
Land	\$ 124,673
Work in progress	407,499
Utility plant and equipment - net	2,719,846
Total noncurrent assets	<u>\$ 3,252,018</u>
Total assets	<u>\$ 6,542,634</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 38,785
Contracts payable	90,530
Payroll benefits payable	2,275
Pension payable - ad valorem tax	22,374
Total current liabilities	<u>\$ 153,964</u>
Noncurrent Liabilities	
Customer deposits	\$ 8,000
Total liabilities	<u>\$ 161,964</u>
Net Position	
Net investment in capital assets	\$ 3,252,018
Unrestricted	3,128,652
Total net position	<u>\$ 6,380,670</u>
Total liabilities and net position	<u>\$ 6,542,634</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ending December 31, 2017

	Business-type Activities - <u>Enterprise Fund</u> Water and Sewer
Operating revenues	
Charges for services	<u>\$ 630,207</u>
Operating expenses	
Personal services and related benefits	\$ 454,776
Supplies	197,250
Contractual services	208,236
Utilities	52,213
Depreciation	132,912
Total operating expenses	<u>\$ 1,045,387</u>
Income (loss) from operations	<u>\$ (415,180)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 1,440
Ad valorem taxes	653,474
Miscellaneous	1,372
Ad valorem taxes - pension expense	(22,374)
Interest expense	(843)
Total nonoperating revenue (expenses)	<u>\$ 633,069</u>
Change in net position	\$ 217,889
Net position at beginning of year	<u>6,162,781</u>
Net position at end of year	<u><u>\$ 6,380,670</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2017

	Business-type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 630,191
Cash payments to suppliers for goods and services	(431,023)
Cash payments to employees for services	(457,669)
Net cash used by operating activities	\$ (258,501)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (309,632)
Contributed capital received	21,329
Net cash used for capital and related financing activities	\$ (288,303)
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 650,407
Pension paid on ad valorem taxes	(21,172)
Miscellaneous income	1,372
Interest expense	(843)
Net cash provided by non-capital and related financing activities	\$ 629,764
Cash flow from investing activities:	
Interest income	\$ 1,440
Net increase (decrease) in cash and cash investments	\$ 84,400
Cash and cash equivalents, beginning	2,532,309
Cash and cash equivalents, ending	\$ 2,616,709

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	<u>\$ (415,180)</u>
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation	\$ 132,912
Change in assets and liabilities:	
Increase in accounts receivable	(916)
Increase in accounts payable	26,676
Decrease in payroll benefits payable	(2,893)
Increase in customer deposits payable	900
Net cash used by operating activities	<u>\$ (258,501)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

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

INTRODUCTION

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five compensated board members appointed by the Beauregard Parish Police Jury.

The District is located in central Beauregard Parish in the southwestern region of the State of Louisiana. The District provides rural water service to approximately 1,600 residents and employs approximately seven employees.

The accounting and reporting policies of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

The District's cash is considered to be cash on hand, and demand deposits. Cash equivalents include amounts in time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. 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. As of December 31, 2017, there were no restricted assets.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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 of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current fiscal year was \$843. Of this amount none was included as part of the cost of capital assets under construction in connection with the district's construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	20-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	3-15 years
Vehicles	5 years

F. Compensated Absences

The District has no formal leave policy and does not provide for the accumulation and vesting of leave.

G. Long Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District had no long term obligations as of December 31, 2017.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items as of December 31, 2017.

I. Estimates

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

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

J. Restricted Net Position

For government-wide statements of net position, net position is reported as restricted when constraints placed on net position are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

K. Receivables and Payables

The District levies taxes on real and business personal property located within the boundaries of the district. Property taxes are levied by the district on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the district. Collections are remitted to the district monthly. The District recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2017
Levy date	June 30, 2017
Tax bills mailed	October 15, 2017
Total taxes are due	December 31, 2017
Penalties & interest due	January 31, 2018
Lien date	January 31, 2018
Tax sale	May 15, 2018

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

For the year ended December 31, 2017, taxes of 17.28 mills were levied on property with an assessed valuation totaling \$38,160,228 and were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General Maintenance	17.28	17.28	Annually

The following are principal taxpayers and related property tax revenue for the District:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Indigo II Louisiana	Oil & Gas	\$ 4,641,737	12.16%	\$ 80,209
Pintail WI LLC	Oil & Gas	8,856,396	23.21%	153,038
Texegy Operating Company LLC	Oil & Gas	6,486,520	17.00%	112,087
Total		\$ 19,984,653	52.37%	\$ 345,334

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

2. CASH AND CASH EQUIVALENTS

At December 31, 2017, the District has cash (book balances) totaling \$2,616,709 as follows:

Petty cash	\$ 375
Money market accounts	1,709,116
NOW accounts	907,218
Total	<u>\$ 2,616,709</u>

The cash and cash equivalents of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, the 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 or exceed 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. Louisiana Revised Statute 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 bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At December 31, 2017, the District has \$2,655,238 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$2,155,238 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the district and are therefore properly collateralized.

3. RECEIVABLES

The receivables of \$673,907 at December 31, 2017, are as follows:

<u>Class of receivable</u>	
Accounts	\$ 45,166
Ad valorem taxes	628,741
Total	<u>\$ 673,907</u>

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 124,673	\$ -	\$ -	\$ 124,673
Work in progress	14,360	393,139	-	407,499
Total capital assets, not being depreciated	<u>\$ 139,033</u>	<u>\$ 393,139</u>	<u>\$ -</u>	<u>\$ 532,172</u>
Capital assets being depreciated				
Vehicles	\$ 145,753	\$ -	\$ -	\$ 145,753
Buildings	63,384	-	-	63,384
Furniture	491	-	-	491
Utility plant and improvements	5,641,144	-	-	5,641,144
Machinery and equipment	353,864	7,022	-	360,886
Total capital assets being depreciated	<u>\$ 6,204,636</u>	<u>\$ 7,022</u>	<u>\$ -</u>	<u>\$ 6,211,658</u>
Less accumulated depreciation for:				
Vehicles	\$ 67,066	\$ 21,183	\$ -	\$ 88,249
Buildings	27,037	1,749	-	28,786
Furniture	491	-	-	491
Utility plant and improvements	2,987,237	97,592	-	3,084,829
Machinery and equipment	277,069	12,388	-	289,457
Total accumulated depreciation	<u>\$ 3,358,900</u>	<u>\$ 132,912</u>	<u>\$ -</u>	<u>\$ 3,491,812</u>
Total business-type assets being depreciated, net	<u>\$ 2,845,736</u>	<u>\$ (125,890)</u>	<u>\$ -</u>	<u>\$ 2,719,846</u>

5. CONSTRUCTION COMMITMENTS

The District had active construction projects as of December 31, 2017. The District had the following construction projects. The District is constructing a new administration building for the water system, a waterline is being laid down R. Clark Rd., the Oretta Hwy 27 project is the laying of new waterlines and improvements to the water treatment plant.

Project	Spent to Date	Remaining Commitment
Administration Building	\$ 364,154	\$ 85,846
R. Clark Road Waterline	2,372	7,628
Oretta Hwy 27 Project	32,887	326,858
Water Treatment Plant Improvements	8,086	709,542

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Concluded)

6. ACCOUNTS AND OTHER PAYABLES

The payables of \$161,964 at December 31, 2017, are as follows:

Accounts	\$	38,785
Contracts		90,530
Payroll taxes		2,275
Pension plan - ad valorem tax		22,374
Customer deposits		8,000
Total	\$	<u>161,964</u>

7. RETIREMENT SYSTEMS

Waterworks District No. 2, Parish of Beauregard 401(a) Defined Contribution Plan.

The plan is a government retirement plan administered by Nationwide Retirement Solutions, Inc. All employees with at least three months of service are eligible to participate in the plan. Participants are fully vested in the plan as to the employer's contributions after three years of service. The plan is funded solely by the employer who will make matching contributions equal to 100% of the participants elective deferrals to the Waterworks District No. 2, Parish of Beauregard 457(b) Deferred Compensation Plan that do not exceed 4% of the participants compensation.

Waterworks District No. 2, Parish of Beauregard 457(b) Deferred Compensation Plan.

The plan is a government retirement plan administered by Nationwide Retirement Solutions, Inc. All employees with at least three months of service are eligible to participate in the plan. Participants are fully vested in the plan as to the employer's contributions after three years of service. The plan is funded solely by the employees who are allowed to make contributions to the plan of up to 4% of their compensation.

OTHER SUPPLEMENTAL SCHEDULES

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ending December 31, 2017

The following is a breakdown of commissioner's fees for the year ended December 31, 2017.

<u>Board Member</u>	<u>Amount</u>
Bill White	\$ 960
Delores Franks	900
Jeanez McLeod	900
Jerry Cooley	840
Carroll Johnson	900
Total	<u>\$ 4,500</u>

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature and within the provisions of R.S. 33:3819.

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ending December 31, 2017

Mr. Jerry Cooley, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - dental insurance	-
Benefits - retirement	-
Benefits - deferred compensation	-
Car allowance	-
Vehicle provided by government	-
Per diem	840
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ending December 31, 2017

There were no prior year audit findings as of December 31, 2016.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2017

Finding – Financial Statement Audit

Audit Finding No. 2017-1

Blank checks signed prior to payment

Condition:	It was noted on several occasions that checks had been signed in advance of being made payable to payees.
Criteria:	Checks should never be signed in advance of being made out to payees or approved by management.
Cause and Condition:	At times when check signers were going to be out and bills would be due, they signed the checks prior to them being made out to a payee.
Effect of Condition:	Violates the internal controls of the District. This could also lead to misappropriation of assets by having blank checks pre-signed.
Recommendation:	We recommend that blank checks never be signed in advance of being made out to a payee. All checks should be approved for payment after being made out and appropriate documentation attached.

Waterworks District No 2, Parish of Beauregard

Board of Directors

Jerry Cooley-President
Billy White-Vice President
Delores Franks-Director
Jeaney McLeod-Director
Carroll Johnson-Director

Managers

Paula Rose
Administration Manager
Jeremy Gaffion
Maintenance Operations Manager

May 25, 2018

Mr. Daryl G Purpera, CPA
Louisiana Legislative Auditor
1600 North Third St
Baton Rouge, LA 70804

Dear Mr. Purpera,

In response to the comment on our "Audit Finding No. 2017-1", we had in the past had pre-signed checks because of scheduling difficulties in getting our checks signed by authorized signers. I had brought this to the attention of our Auditor and was informed this was not a good practice and since that time we have diligently worked to make sure that we are not pre-signing checks.

The problem has since been rectified in which I now count out the amount of checks that are being printed for authorized signatures to avoid the mistake of carrying a blank check mixed in with our printed checks.

Respectfully,

Paula Rose

Paula Rose
Administration Manager

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

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

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated May 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year audit findings and management's response that we consider to be significant deficiencies. Audit Finding No 2017-1

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's Response to Findings

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's response to the findings identified in our audit is described in the accompanying schedule of current year audit findings and management's response. Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



DeRidder, Louisiana
May 15, 2018

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

We have performed the procedures enumerated below, which were agreed to by Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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 entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. 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
Written policies and procedures obtained and address the functions above.
 - 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.
Written policies and procedures obtained and address the functions above.
 - c) **Disbursements**, including processing, reviewing, and approving
The District does not have written policies and procedures that address disbursements.
 - d) **Receipts**, including receiving, recording, and preparing deposits
The District does not have written policies and procedures that address receipts.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures obtained and address the functions above.
- 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 policies and procedures that address contracting.
- 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.
Written policies and procedures obtained and address the functions above.
- 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 policies and procedures that address travel and expense reimbursement.
- 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.
The District does not have written policies and procedures that address ethics.
- 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 policies and procedures that address debt service.

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 board met monthly.
 - 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).
The minutes do not reference any budget to actual comparisons in the General Fund.
 - 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.

Not applicable.

- 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.

No exceptions were noted.

Bank Reconciliations

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

Obtained listing and management's 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;

No exceptions were noted.

- 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 of bank reconciliations being reviewed by management or a board member.

- 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.

Not applicable.

Collections

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

Obtained listing and management's 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. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **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.

Individuals collecting cash are bonded but the same person at times deposits cash, records the transaction and reconciles the bank account due to the small office staff. Only one cash drawer is used.

- 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.

There is no formal process to reconcile cash to the general ledger by revenue source.

- c) Select 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, 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.

Not applicable.

- 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.

Not applicable.

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.

The District does not have a process specifically defined to determine completeness of all collections by a person 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.

Obtained the general ledger and management's 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.

No requisition/purchase order system or equivalent electronic system is used.

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

Not applicable.

- 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.

Payments for purchases were processed without an approved requisition and/or purchase order or electronic equivalent system.

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.

Exception: There is no documentation prohibiting the person responsible for processing payments from also adding vendors to the purchasing/disbursement system.

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.

Exception: There is no documentation the person with signatory authority has no responsibility for initiating or recording purchases.

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 location. Exception: A person with signatory authority also has access to print 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.

Not applicable.

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.

Obtained listing and management's representation that the listing is complete.

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

Selected both credit cards used by the District.

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.]

Reviewed evidence and supporting documentation, no exceptions were noted.

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

No finance charges and/or late fees were assessed.

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:

- An original itemized receipt (i.e., identifies precisely what was purchased)
Exceptions were noted. Some charges were not supported by any documentation.
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
No exceptions were noted.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
Not applicable.
- 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.
No exceptions were noted for purchasing.
- 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.
No exceptions were noted.

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.
Obtained the general ledger and management's representation that the listing is complete.
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.
No written policies; however, no examined amounts reimbursed exceeded GSA rates.
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.

No written policies for travel and expense reimbursements. Reimbursements did not exceed GSA rates.

- b) Report 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.]

No exceptions were noted.

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

No exceptions were noted.

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

No exceptions were noted.

- 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.

No exceptions were noted.

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

No exceptions were noted.

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.

Obtained general ledger and management's representation that the listing 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.

No exceptions were noted.

- 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:
- 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)
No exceptions were noted.
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
Not applicable.
- 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.
Not applicable.
- 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.
No exceptions were noted.
- 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).
No exceptions were noted.

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:
- Obtained listing and management's 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.
No exceptions were noted.
 - 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.
No exceptions were noted.

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.)
Obtained records, no exceptions were noted.
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
Leave is approved by the board, no exceptions were noted.
 - 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.
No exceptions were noted.
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.
Not applicable.
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.
Obtained supporting documentation, no exceptions were noted.

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.
No exceptions were noted.
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.

No exceptions were noted during inquiries of management. No alleged ethics violations were reported during the year.

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.

Not applicable.

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.

No exceptions were noted.

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.

Not applicable.

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.

No exceptions were noted during inquiries of management. No misappropriation of public funds or assets noted.

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 has the notice posted on its premises and 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 were noted.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) Written Policies and Procedures: The District is working on developing all necessary written policies and procedures.

- b) Disbursements: The District will work to cost effectively segregate duties as much as possible.

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

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

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
May 15, 2018