

PINE HILL WATERWORKS DISTRICT NO. 8

Shreveport, Louisiana

FINANCIAL STATEMENTS

July 31, 2018

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

PINE HILL WATERWORKS DISTRICT NO .8

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Directors
Pine Hill Waterworks District No. 8
Shreveport, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Pine Hill Waterworks District No. 8, a component unit of the Caddo Parish Commission, as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the System'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 from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Hill Waterworks District No. 8, as of July 31, 2018, and the changes in financial position 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 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 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 23, 2019 on my consideration of Pine Hill Waterworks District No. 8 Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pine Hill Waterworks District No. 8's internal control over financial reporting and compliance.

Marsha O. Milkian

Certified Public Accountant
January 23, 2019

PINE HILL WATERWORKS DISTRICT NO. 8

Statement of Net Assets

July 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 160,070
Accounts Receivable	90,782
Prepaid Expenses	17,339
Total Current Assets	<u>268,191</u>
PROPERTY AND EQUIPMENT (NET)	1,289,782
OTHER ASSETS	
Restricted Cash	390,826
Restricted Investments	150,106
Utility Deposits	50
Total Other Assets	<u>540,982</u>
Total Assets	<u>\$ 2,098,955</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES (Payable from Current Assets)	
Accounts Payable	\$ 34,373
Accrued Compensated Absences Payable	8,275
Accrued Salaries Payable	7,517
Total Current Liabilities (Payable from Current Assets)	<u>50,165</u>
CURRENT LIABILITIES (Payable from Restricted Assets)	
Accrued Interest Payable	4,061
Current Maturities of Long-Term Debt	91,911
Total Current Liabilities(Payable from Restricted Assets)	<u>95,972</u>
Total Current Liabilities	146,137
OTHER LIABILITIES (Payable from Restricted Assets)	
Long-Term Debt, Less Current Maturities	826,106
Customer Deposits	154,558
Total Other Liabilities	<u>980,664</u>
Total Liabilities	<u>1,126,801</u>
Net Assets:	
Invested in capital assets, net of related debt	371,766
Restricted for debt service	388,992
Unrestricted	211,396
Total Net Assets	<u>972,154</u>
Total Liabilities and Net Assets	<u>\$ 2,098,955</u>

See accompanying notes to financial statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Statement of Activities

For the Year Ended July 31, 2018

	<u>Total</u>
SALES	\$ 867,049
OPERATING EXPENSES	<u>655,365</u>
Gross Profit	<u>211,684</u>
GENERAL AND ADMINISTRATIVE EXPENSE	<u>196,796</u>
Increase in Net Assets from Operations	<u>14,888</u>
OTHER INCOME (EXPENSE)	
Interest Income	440
Interest Expense	<u>(36,037)</u>
Change in Net Assets	(20,709)
NET ASSETS, BEGINNING OF YEAR,	<u>992,863</u>
NET ASSETS, END OF YEAR	<u><u>\$ 972,154</u></u>

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

For the Year Ended July 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 860,131
Cash payments to suppliers and employees	(708,131)
Net cash provided by operating activities	<u>152,000</u>
CASH FLOWS FROM OTHER SOURCES	
Interest Income	440
Net cash provided from other sources	<u>440</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on long term debt	(37,800)
Principal payments on long term debt	(108,502)
Net cash used by capital and related financing activities	<u>(146,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	(87)
Additions to property and equipment	(20,521)
Net cash used by investing activities	<u>(20,608)</u>
Increase (Decrease) in cash	(14,470)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
(including restricted cash of \$358,406)	<u>565,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	
(including restricted cash of \$390,826)	<u>\$ 550,896</u>
Reconciliation of changes in net assets to net cash	
provided by operating activities:	\$ 14,888
Changes in net assets before capital contributions	
Adjustments to reconcile net income to net cash	
provided by operating activities:	
Depreciation	124,577
Changes in assets and liabilities	
Increase in accounts receivable	(6,918)
Increase in prepaid expenses	(1,109)
Increase in accounts payable	1,616
Decrease in accrued salaries payable	(448)
Decrease in compensated absences payable	(4,974)
Increase in customer deposits	24,368
Net cash provided by operating activities	<u>\$ 152,000</u>

The accompanying notes are an integral part of these statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

Introduction:

The Pine Hill Waterworks District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3811. The purpose of the District is to provide water service to the residents of the District. The District is located north of Shreveport, Louisiana and serves approximately 1634 customers. The District is domiciled at 4922 North Market Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3812. The commissioners of the District serve five year terms.

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. The District's proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R. S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the District are described as follows:

- A. Reporting Entity - As the governing authority of the parish, for reporting purposes, the Caddo Parish Commission (police jury) is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) the primary government (Parish Commission), (b) organizations for which the primary government is financially responsible and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criterion for including a potential component unit within a reporting entity is financial accountability.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

1. Summary of Significant Accounting Policies (Continued):

A. Reporting Entity (Continued)

These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Caddo Parish Commission to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Caddo Parish Commission.
2. Organizations for which the Caddo Parish Commission does not appoint a voting majority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

As provided by Louisiana Revised Statute 33:3811, the Caddo Parish Commission may, by ordinance, create or abolish the District in its entirety or may change or alter its boundaries. The Caddo Parish Commission appoints the commissioners of the District and the commissioners serve at the pleasure of the Caddo Parish Commission. The Pine Hill Waterworks District No. 8 of the Parish of Caddo was therefore determined to be a component unit of the Caddo Parish Commission, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting unit.

- B. Fund Accounting - The District uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

1. Summary of Significant Accounting Policies (Continued):

B. Fund Accounting (Continued)

government functions or activities.

The fund of the District is classified as a proprietary fund. Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing 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 the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is:

- *Water Fund* - Accounts for the provision of water service to the residents of the District. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The District has only business-type activities. These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users for goods and services. Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The basic financial statements of the District are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

1. Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The amounts reflected in the financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with District activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

- D. Cash and Cash Equivalents and Investments - Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing, demand deposits, time deposits (certificates of deposit), and short term, highly liquid investments with original maturities of three months or less when purchased. Investments are interest-bearing time deposits with original maturity dates in excess of three months when purchased. Investments are stated at cost, which approximates market value.

The District's investments comply with Louisiana Revised Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

- E. Receivables - Customers' water charges are the District's major receivable. All receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled customer water charges are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets - Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired by the District are reported at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets include property, plant, equipment, and distribution systems. The District maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land Improvements	\$ 1,000
Buildings	\$ 1,000
Construction in Progress	\$ 1
Machinery and Equipment	\$ 1,000
Vehicles	\$ 1,000
Distribution System	\$ 1,000
Furniture and Fixtures	\$ 1,000
Computer Hardware and Software	\$ 1,000

The cost 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. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Building and Improvements	20-40 years
Equipment	5-10 years
Vehicles	5 years
Distribution System	25 years
Furniture and Fixtures	10 years
Computer Hardware and Software	5 years

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

1. Summary of Significant Accounting Policies (Continued):

- G. Prepaid Expenses- Payments made to vendors for services that will benefit periods beyond July 31, 2018 are recorded as prepaid expenses.
- H. Restricted Assets- Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. The restricted assets are related to bond covenants which require the District to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt, to purchase additional equipment and improvements, and for customers' refundable water deposits.
- I. 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 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
- J. Fund Equity - Equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:
- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets - Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets - Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- K. Risk Management- The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, and workers compensation.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

2. Cash and Cash Equivalents and Investments:

Cash and Cash Equivalents:

As of July 31, 2018, the District had cash and cash equivalents (book balances) totaling \$550,896 as follows:

Cash on hand	\$ 300
Demand deposits	158,356
Time deposits	<u>392,240</u>
	<u>\$ 550,896</u>

Investments:

At July 31, 2018, the District had investments (book balances) totaling \$150,106 as follows:

Time deposits	<u>\$ 150,106</u>
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These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the District 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 that the fiscal agent 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.

The cash equivalents and investments of the District are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. At year end, the District had collected bank balances totaling \$709,762, of which \$629,807 were fully protected by federal depository insurance and \$79,955 were collateralized by the pledge of securities.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

2. Cash and Cash Equivalents and Investments (Continued):

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District's certificates of deposit have maturities of twenty-four months or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer will not fulfill its obligation to the holder. The District's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Receivables:

As of July 31, 2018, accounts receivable consist of the following:

Water sales - billed	\$ 109,002
Water sales - unbilled	4,270
Total	<u>113,272</u>
Less allowance for uncollectible	<u>(22,490)</u>
Net accounts receivable	<u>\$ 90,782</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

4. Capital Assets:

Capital assets and depreciation activity as of and for the year ended July 31, 2018 for the District is as follows:

	Balance August 1, 2017	Additions	Deletions	Balance July 31, 2018
Capital assets not being depreciated:				
Land	\$ 19,535	\$ -	\$ -	\$ 19,535
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>19,535</u>	<u>-</u>	<u>-</u>	<u>19,535</u>
Capital assets being depreciated:				
Buildings and improvements	112,491	-	-	112,491
Equipment	118,419	-	-	118,419
Distribution system	3,209,632	20,521	-	3,230,153
Total capital assets being depreciated	<u>3,440,542</u>	<u>20,521</u>	<u>-</u>	<u>3,461,063</u>
Less accumulated depreciation for:				
Buildings and improvements	61,865	3,356	-	65,221
Equipment	110,001	5,775	-	115,776
Distribution system	1,894,373	115,446	-	2,009,819
Total accumulated depreciation	<u>2,066,239</u>	<u>124,577</u>	<u>-</u>	<u>2,190,816</u>
Total capital assets - net	<u>\$ 1,393,838</u>	<u>\$ (104,056)</u>	<u>\$ -</u>	<u>\$ 1,289,782</u>

5. Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended July 31, 2018.

Bonds and notes payable at July 31, 2018, are comprised of the following individual issues:

	Beginning Balance	Additions	Payments	Ending Balance
Series 2007 Water Revenue Bonds	\$ 820,000	\$ -	\$ (65,000)	\$ 755,000
URAF Agreement 07976	17,159	-	(17,159)	-
URAF Agreement 13572	69,412	-	(14,347)	55,065
URAF Agreement 14132	119,947	-	(11,995)	107,952
	<u>\$ 1,026,518</u>	<u>\$ -</u>	<u>\$ (108,501)</u>	<u>\$ 918,017</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

5. Long-Term Obligations (Continued):

Revenue Bonds:

Water Revenue Bonds, Series 2007, interest 4.80%,
dated January 2, 2007, annual installments of
\$50,000 to \$100,000 thereafter through 2026. \$ 755,000

Utility Relocation Assistance Funding Agreement
07976, non-interest bearing, dated July 13, 1990,
annual installments of \$21,592 through 2019. -

Utility Relocation Assistance Funding Agreement 13572
non-interest bearing 55,065

Utility Relocation Assistance Funding, Agreement 14132
non-interest bearing 107,952
918,017

Less:

Current portion of long-term debt (91,911)
Total long-term debt \$ 826,106

The total annual requirements to amortize bond debt outstanding as of July 31, 2018, including including interest payments of \$192,480 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2007 Water Revenue Bonds:			
2019	70,000	36,240	106,240
2020	70,000	32,880	102,880
20251	75,000	29,520	104,520
2022	80,000	25,920	105,920
2023	85,000	24,000	109,000
2024 and after	<u>375,000</u>	<u>56,880</u>	<u>431,880</u>
	<u>\$ 755,000</u>	<u>\$ 205,440</u>	<u>\$ 960,440</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

5. Long-Term Obligations (Continued):

URAF Agreement	<u>17976</u>	<u>13572</u>	<u>14132</u>
URAF Agreement 07976:			
2018	\$ -	\$ 9,916	\$ 11,995
2019	-	9,916	11,995
2020	-	9,916	11,995
2021	-	9,916	11,995
2022	-	9,916	11,995
2022 and After	-	5,485	47,977
	<u>\$ -</u>	<u>\$ 55,065</u>	<u>\$ 107,952</u>

6. Restricted Assets:

Certain resources set aside for repayment of bonded indebtedness and customers' utility deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances or deposit agreements.

Water revenue bonds are obligations of the District solely secured by a pledge of the net revenues of the water system. The revenue of the water system and the various special depository accounts established by the bond ordinances collateralize the bonds. The bond covenants provide that the revenue of the system is to be used first to pay operating and maintenance of the system and then to meet the funding covenants of the obligations. The District is required to make monthly deposits into depository accounts to satisfy the requirements of the related bond covenants to assure payment of principal and interest when due. Any remaining revenues may then be used for any lawful purpose.

The bond covenants of the water revenue bonds require the District to establish the following accounts:

Water System Revenue Fund - All water system revenues of every nature derived from the operation of the system are initially deposited into this account to provide for the payment of reasonable and necessary expensing of operating and maintaining the system.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

6. **Restricted Assets (Continued):**

Water Revenue Bond Sinking Fund- The District must transfer into this depository account on or before the 20th of each month, one twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to promptly and fully pay principal and interest installments as they become due and may only be used for such payments.

Water Revenue Bond Reserve Fund- The District must transfer into this depository account an amount equal to the highest annual principal and interest payment (\$108,000). The monies in the "Reserve Fund" shall be retained solely for the purpose of paying the principal and interest on all bonds payable from the "Sinking Fund" as to which there would otherwise be default. As of July 31, 2018, this depository account had a collected bank balance of \$119,608.

Water Revenue Bond Capital Additions and Contingencies Fund - The District is required to transfer from the "Revenue fund" on or before the 20th of each month the remainder of revenues not required to be deposited into other funds as described above into a depository account to provide for additions and improvements, renewals, replacements and emergency repairs necessary to properly operate the system. These funds may also be used to pay interest and principal on bonds for which there is not sufficient money in the "Sinking Fund" or "Reserve Fund". However, the money in the "Contingencies Fund" shall never be used for the making of extensions, additions, improvements, renewals and replacements to the system if such use will leave less than \$50,000 for making emergency repairs or replacements. As of July 31, 2018, this depository account had a balance of \$50,007.

7. **Simplified Employee Pension Plan:**

The District offers a simplified employee pension plan to provide retirement benefits for its employees. Under this plan, the District provides discretionary annual contributions to the participating individual employee's individual retirement account (IRA). Participants must be reasonably expected to receive at least \$5,000 in gross salary for the calendar year. The District's contributions to each employee are based on an equal percentage applied to their gross annual earnings. Amounts contributed to the plan for the year ended July 31, 2018 by the District totaled \$2,810.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2018

8. Contingencies and Concentrations:

Lawsuits

The District is not currently named as defendant in any current or pending litigation.

Concentrations

The District's primary source of water to supply its customers is through a contract with the Town of Blanchard, Louisiana, whereby water is provided by the City to the District. The loss of this water source or a significant reduction in the availability of water could have a material adverse effect on the District. The District believes that its relationship with the Town of Blanchard is satisfactory.

9. Operating Leases:

The District has entered into a month to month operating lease for a plot of land for the production of water. Rental expense under this lease for the year ended July 31, 2018 totaled \$24,549.

10. Subsequent Events:

Subsequent events have been evaluated through January 23, 2019, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Operating Expense

Year Ended July 31, 2018

Water Costs	\$ 175,974
Repair & Maintenance	118,648
Salaries and Related Expenses	136,472
Well Site Rental	24,549
Utilities	42,686
Truck & Travel	8,023
Operating Supplies	12,342
Depreciation	121,221
Safe Drinking Water Fees	12,295
Miscellaneous	<u>3,155</u>
Total	<u><u>\$ 655,365</u></u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Administrative Expense

Year Ended July 31, 2018

Office Salaries and Related Expenses	\$ 106,295
Insurance	24,617
Utilities and Telephone	13,070
Legal and Accounting	8,810
Postage	6,931
Travel	1,656
Security	719
Meetings - Per Diem	4,020
Repair & Maintenance	2,926
Bank Charges	2,212
Credit Card Fees	3,254
Dues & Memberships	945
Office Supplies and Expenses	15,169
Education and Conferences	1,147
Depreciation	3,356
Miscellaneous	<u>1,669</u>
Total	<u>\$ 196,796</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Commissioner's Compensation

For the Year Ended July 31, 2018

Michael Walette, President	\$	720
Jimmy Flouornoy		720
Donna Green		600
Evelyn Thomas		-
Shirley Hamilton		900
Homer Norris		180
Leon Samuels		900
		<hr/>
Total	\$	<u>4,020</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head

For the Year Ended July 31, 2018

Agency Head: Jimmy Flournoy, President	<u>\$</u> <u>720</u>
Agency Head Jimmy Flournoy Reimbursements	<u>\$</u> <u>20</u>
Agency Head, Michael Walette, President	<u>\$</u> <u>720</u>



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Directors
Pine Hill Waterworks District No. 8
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pine Hill Waterworks District No. 8 (the District) as of July 31, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Pine Hill Waterworks District No. 8's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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 were not 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.

A deficiency in internal control exists when the design or operation a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings to be material weaknesses and are reported as Finding #2018-1 and Finding #2018-4.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Hill Waterworks District No. 8's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported in the accompanying schedule of findings as Finding #2018-2, Finding #2018-3, Finding #2018-5 and Finding #2018-6.

Purpose of this Report

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



Certified Public Accountant
January 23, 2019

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings

Year Ended July 31, 2018

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. Two deficiencies which are considered to be material weaknesses, are reported in the 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*.
3. Four instances of noncompliance material to the financial statements were disclosed during the audit.

FINDING #2018-1:

Criteria: Effective internal control requires segregation of duties.

Condition: The segregation of duties is inadequate to provide effective internal control. Employees perform interrelated duties.

Cause: The condition is due to economic and space limitations.

Effect: Unknown.

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

Management's Response: We concur with the finding. We will make every effort to segregate duties as allowed by space and economic limitations.

FINDING #2018-2:

Criteria: The Louisiana Department of Revenue requires monthly sales tax returns to be filed no later than the 20th day after the reporting period ends.

Condition: Sales tax returns were filed late on six occasions resulting in penalties and interest totaling \$248 for late filing of returns.

Cause: Unknown.

Effect: The District was not in compliance with the regulations of the Louisiana Department of Revenue.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings (Continued)

Year Ended July 31, 2018

FINDING #2018-2 (Continued)

Recommendation: I recommend the District file sales tax returns within the time period required by the Louisiana Department of Revenue.

Management's Response and Corrective Action Taken: We agree with the finding. We will file our sales tax returns on a timely basis in the future.

FINDING #2018-3:

Criteria: The District maintains credit cards with two companies. The credit card statements must be paid on time to prevent the imposition of late payment penalties.

Condition: Credit card statements were paid late on thirteen occasions resulting in penalties totaling \$371 for late payment.

Cause: Unknown.

Effect: The District paid late payment penalties of \$371.

Recommendation: I recommend the credit card statements be paid by the due date to prevent incurring late payment fees.

Management's Response and Corrective Action Taken: We agree with the finding. We will pay the credit card statements on time in the future.

FINDING #2018-4:

Criteria: Bank reconciliations should be performed on a timely basis.

Condition: Bank reconciliations for the months of August 2017 through February 2018 were not prepared until May 2018.

Cause: Unknown.

Effect: Cash balances on the balance sheet may be incorrect.

Recommendation: I recommend the bank reconciliations be performed on a timely basis.

Management's Response and Corrective Action Taken: We agree with the finding. In the future, bank reconciliations will be performed on a timely basis.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings (Continued)

Year Ended July 31, 2018

FINDING #2018-5:

Criteria: State law requires public servants to obtain ethics training on an annual basis.

Condition: Only two of the five commissioners obtained the required ethics training.

Cause: Unknown.

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

Recommendation: I recommend all public servants obtain the required ethics training.

Management's Response and Corrective Action Taken: We agree with the finding. In the future, all public servants will obtain the required ethic training.

FINDING #2018-6:

Criteria: Cash on deposit for customer deposits should equal the liability for customer deposits.

Condition: Cash on deposit for customer deposits totaled \$151,914. The liability for customer deposits was \$154,558.

Cause: Unknown.

Effect: The liability for customer deposits is not adequately funded.

Recommendation: I recommend the cash on deposit for customer deposits equal the liability for customer deposits.

Management's Response and Corrective Action Taken: We agree with the finding. Cash on deposits for customer deposits will equal the liability for customer deposits in the future.

PINE HILL WATERWORKS DISTRICT NO. 8

Corrective Action Taken on Prior Year Findings

For the Year Ended July 31, 2018

FINDING #2017-1: The segregation of duties is inadequate to provide effective internal control.

STATUS: No action was suggested and none was taken.

FINDING #2017-2: Monthly sales tax returns were not filed on a timely basis on eight occasions

STATUS:: Unresolved.

FINDING #2017-3: Monthly bank reconciliation balances were not reconciled to the general ledger balance.

STATUS:: Resolved.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

To the Board of Commissioners
Pine Hill Water Works District #8
Shreveport, Louisiana

I have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Pine Hill Water Works District #8 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2017 and July 31, 2018. The District's management is responsible for those control and compliance 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*, issued by the Comptroller General of the United States. 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.

My procedures and associated findings are enumerated below.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operation):
 - a) **Budgeting**, including preparing, adopting, monitoring and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Procedures Results - I noted that the entity has no written policies and procedures for any of the categories listed above except payroll and personnel. This is a repeat exception from the prior fiscal year.

Management's Response - We will adopt policies and procedures to reflect the above topics.

Board (or Finance Committee, if applicable)

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

Procedures Results - I noted no exceptions.

Bank Reconciliations

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

Procedure Results - I noted the following exceptions:

- a) Bank reconciliations for 7 of 12 months in the fiscal period were not prepared timely. The August 2017 - February 2018 bank reconciliations were not prepared until May 14, 2018.
- b) There is no documented evidence that bank statements and reconciliations were reviewed by a board member or member of management with no involvement in the transactions associated with the bank accounts. This is a repeat exception from the prior fiscal year.
- c) There are a number of outstanding reconciling items from the prior fiscal year that show no evidence of having been researched. This is a repeat exception from the prior fiscal year.

Management's Response - We will research and rectify each of the exceptions enumerated above.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger posting to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequential pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to actual deposit per the bank statement
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - I noted the following exceptions:

- a) No employees are bonded and the entity has no insurance to cover theft. This is a repeat exception from the prior fiscal year.
- b) One of the persons who collects cash records transactions and reconciles related bank accounts. This is a repeat exception from the prior fiscal year.
- c) Cash collections are not deposited within one business day. Of the 41 collection dates tested, 31 were not deposited within one business day, The longest lapse between collection and deposits was six days.

Non-Payroll Disbursements - General (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Results - I noted no exceptions.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:

- a) Observe that there is evidence that the monthly statement of combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure Results - I noted the following exception: Incidents of late payment occurred for all of the entity's three credit cards; and a total of \$534 in finance and late charges were assessed and paid. This is a repeat exception from the prior fiscal year.

Management's Response - We will pay all credit card statement on time and in full to avoid finance charges and late fees.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U. S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation included the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Procedure Results - I noted no exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials, supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g. quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms prevail over such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the invoice, agree the invoice to the contract terms, and observe that the invoice and related documents agreed to the terms and conditions of the contract.

Procedure Results - I noted no exceptions.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected in #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (vacation, sick, compensatory). (Note: Generally an elected official is not eligible to document leave and does not document his/her attendance and leave. However, if the elected official documents leave according to policy and/or contract, the official should document his/her daily attendance and leave.
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination calculations, agree the hours to the employee/officials' authorized pay rates in the employee/officials' files.

personnel file.

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

Procedure Results - I noted no exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Results - I noted the following exception: only two of the five commissioners completed ethics training.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure Results - I noted no exceptions.

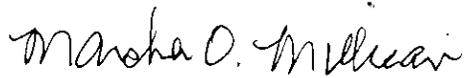
Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure Results - I noted no exceptions.

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

The purpose of this report is solely to describe the scope of testing performed on those control and control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:514, this report is distributed by the LLA as a public document.



Certified Public Accountant

January 23, 2019



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

MANAGEMENT LETTER

Board of Commissioners
Pine Hill Waterworks No. 8
Shreveport, Louisiana

In planning and performing my audit of the financial statements of Pine Hill Waterworks No. 8 as of July 31, 2018, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

Written Policies and Procedures

The District does not have written policies and procedures for the following: Budgeting, Purchasing, Disbursements, Receipts/Collections Contracting, Credit Cards, Travel and Expense Reimbursements, Ethics, and Debt Service.

I recommend the District obtain written policies and procedures for the categories listed above.

Management indicated they will obtain written policies and procedures for the categories listed above.

Bank Reconciliations

There is no documented evidence that bank reconciliations are reviewed by a board member or member of management with no involvement in the transactions with the bank accounts. There are a number of outstanding items from prior years that show no evidence of having been researched.

I recommend all bank reconciliations bear written evidence that they have been reviewed by a board member or member of management with no involvement in the transactions involved with the bank accounts.

I recommend that old outstanding items on bank reconciliations be researched and cleared.

Management indicated bank reconciliations will be reviewed by a board member or member of management with no involvement in the transactions involving the bank accounts and old outstanding items will be researched and cleared.

Cash Collections

During my testing of cash collections, it was noted that cash receipts are not deposited within one business day. It was also noted that employees are not bonded.

I suggest that cash be deposited within one day of collection, and employees be bonded.

Management indicated that every effort will be made to deposit cash within one day of collection. Management stated they are actively trying to obtain bonding for the employees.

I will review the status of the above comment during my next engagement. I have discussed the above with management of the District and management has indicated the recommendations will be implemented.

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Marsha D. Milhean

Certified Public Accountant
January 23, 2019