

**WEST VERNON PARISH
WATERWORKS DISTRICT**

Anacoco, Louisiana

Financial Report

Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
West Vernon Parish Waterworks District
Anacoco, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of the West Vernon Parish Waterworks District, 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 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 an opinion on the financial statements that collectively comprise the West Vernon Parish Waterworks District's basic financial statements. The comparative statements and various schedules included in the supplementary information are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The comparative statements 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The prior year comparative amounts included in this information have been derived from the District's 2016 financial statements, which were subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly presented in all material respects in relation to the basic financial statements from which they were derived. The various schedules included in the supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018, on our consideration of the West Vernon Parish Waterworks District'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 the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Oberlin, Louisiana
May 11, 2018

BASIC FINANCIAL STATEMENTS

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Net Position
December 31, 2017

ASSETS

| | |
|----------------------------------|------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 320,030 |
| Accounts receivable, net | 62,178 |
| Ad valorem tax receivable | <u>60,544</u> |
| Total current assets | <u>442,752</u> |
| Restricted assets - | |
| Revenue bond reserve account | 261,037 |
| Revenue bond contingency account | 206,514 |
| Customer deposits | <u>49,525</u> |
| Total restricted assets | <u>517,076</u> |
| Capital assets, net | <u>4,536,539</u> |
| Total assets | <u>5,496,367</u> |

LIABILITIES

| | |
|--|------------------|
| Current liabilities (payable from current assets): | |
| Accounts payable | 14,027 |
| Accrued liabilities | 5,082 |
| Salaries payable | 8,547 |
| Other liabilities | <u>7,949</u> |
| Total current liabilities (payable from current assets) | <u>35,605</u> |
| Current liabilities (payable from restricted assets): | |
| Customer deposits | 49,525 |
| Accrued interest on bonds | 14,222 |
| Current portion of long term debt | <u>93,175</u> |
| Total current liabilities (payable from restricted assets) | <u>156,922</u> |
| Total current liabilities | <u>192,527</u> |
| Noncurrent liabilities: | |
| Certificates of indebtedness payable | 18,000 |
| Revenue bonds payable | <u>3,471,109</u> |
| Total noncurrent liabilities | <u>3,489,109</u> |
| Total liabilities | <u>3,681,636</u> |

NET POSITION

| | |
|----------------------------------|---------------------|
| Net investment in capital assets | 954,255 |
| Restricted for debt service | 453,329 |
| Unrestricted | <u>407,147</u> |
| Total net position | <u>\$ 1,814,731</u> |

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2017

| | |
|--|--------------------|
| Operating revenues: | |
| Charges for services - | |
| Water sales | \$ 658,175 |
| Installation and service fees | 22,579 |
| Other fees | <u>27,066</u> |
| Total operating revenues | <u>707,820</u> |
| Operating expenses: | |
| Advertising and promotion | 3,311 |
| Salaries and related benefits | 201,608 |
| Operation of plant | 179,468 |
| Depreciation | <u>183,063</u> |
| Total operating expenses | <u>567,450</u> |
| Operating income | <u>140,370</u> |
| Nonoperating revenues (expenses): | |
| Ad valorem taxes | 61,673 |
| State revenue sharing | 11,023 |
| Interest income | 20 |
| Interest expense | <u>(181,091)</u> |
| Total nonoperating revenues (expenses) | <u>(108,375)</u> |
| Change in net position | 31,995 |
| Net position, beginning | <u>1,782,736</u> |
| Net position, ending | <u>\$1,814,731</u> |

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Cash Flows
Year Ended December 31, 2017

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 676,714 |
| Payments to suppliers | (173,242) |
| Payments to employees and related costs | (200,091) |
| Other receipts | <u>27,066</u> |
| Net cash provided by operating activities | <u>330,447</u> |
| Cash flows from noncapital financing activities: | |
| Ad valorem taxes | 64,732 |
| State revenue sharing | 11,023 |
| Increase in meter deposits, net | <u>1,550</u> |
| Net cash provided by noncapital financing activities | <u>77,305</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on long-term debt | (89,019) |
| Interest paid on long-term debt | (181,437) |
| Acquisition and construction of capital assets | <u>(68,880)</u> |
| Net cash used by capital and related financing activities | <u>(339,336)</u> |
| Cash flows from investing activities: | |
| Interest income | <u>20</u> |
| Net increase in cash and cash equivalents | 68,436 |
| Cash and cash equivalents, beginning of period | <u>768,670</u> |
| Cash and cash equivalents, end of period | <u>\$ 837,106</u> |

(continued)

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2017

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

| | |
|--|-------------------|
| Operating income | \$ 140,370 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 183,063 |
| (Increase) decrease in operating assets - | |
| Accounts receivable | (4,040) |
| Increase (decrease) in operating liabilities - | |
| Accounts payable | 8,567 |
| Accrued liabilities | 2,728 |
| Salaries payable | 1,517 |
| Other liabilities | <u>(1,758)</u> |
| Net cash provided by operating activities | <u>\$ 330,447</u> |

Cash and cash equivalents reported on statement of net position as:

| | |
|--|-------------------|
| Cash and cash equivalents, beginning of period - | |
| Current | \$ 263,800 |
| Restricted | <u>504,870</u> |
| | <u>\$ 768,670</u> |
| Cash and cash equivalents, end of period - | |
| Current | \$ 320,030 |
| Restricted | <u>517,076</u> |
| | <u>\$ 837,106</u> |
| Net increase | <u>\$ 68,436</u> |

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of West Vernon Parish Waterworks District (District) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The District was created in 2002 under the provisions of Louisiana Revised Statutes 33:3811-3837, for the purpose of providing water service to the rural western portion of Vernon Parish. The District is governed by a board of commissioners composed of five members appointed by the Vernon Parish Police Jury.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, 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.

Because the Vernon Parish Police Jury appoints the District's governing body, the District was determined to be a component unit of the Vernon Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vernon Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

The District maintains only one fund as described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is 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 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.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any. There was no allowance recorded at December 31, 2017 due to immateriality.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

The District also has major receivable balances for ad valorem taxes. This receivable is reported net of an allowance for uncollectible accounts. There was no allowance recorded at December 31, 2017 due to immateriality

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical 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 \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 is included as part of the capitalized value of the assets constructed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|-------------------------------|-----------|
| Plant and Distribution System | 40 years |
| Buildings | 25 years |
| Equipment and Vehicles | 5-7 years |

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources at December 31, 2017 .

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has no deferred inflows of resources at December 31, 2017.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- a. Net investment in capital assets 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 improvements of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the District's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in November and are actually billed to the taxpayers in December. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Tax revenues are recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of Vernon Parish and are collected by the Sheriff. The taxes are remitted to the West Vernon Parish Waterworks District net of deductions for Pension Fund Contributions.

For the year ended December 31, 2017, taxes of 9.34 mills were levied on property with net assessed valuations totaling \$6,603,130 and were dedicated to paying the operations and maintenance costs of the District. Total taxes levied during 2017 were \$61,673. Taxes receivable at December 31, 2017 totaled \$60,544.

(3) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017, the District had cash and cash equivalents (book balances) totaling \$837,106.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered, or the District will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Deposit balances (bank balances) at December 31, 2017, were as follows:

| | |
|--|-------------------|
| Bank balances | <u>\$ 840,696</u> |
| At December 31, 2017, bank balances are secured as follows: | |
| Federal deposit insurance | 250,000 |
| Uninsured and collateral held by the pledging bank, not in the District's name | <u>590,696</u> |
| Total | <u>\$ 840,696</u> |

Deposits in the amount of \$590,696 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name. The District does not have a policy for custodial credit risk. The District follows state law regarding its deposits and investments; however, it has not adopted a formal deposit and investment policy.

(4) Receivables

Receivables at December 31, 2017 of \$62,178 consisted of the following:

| | |
|----------------|------------------|
| Accounts, net | \$ 44,866 |
| Unbilled water | <u>17,312</u> |
| Total | <u>\$ 62,178</u> |

(5) Restricted Assets

Restricted assets consisted of the following at December 31, 2017:

| | |
|----------------------------------|-------------------|
| Revenue bond reserve account | \$ 261,037 |
| Revenue bond contingency account | 206,514 |
| Customer deposits | <u>49,525</u> |
| Total restricted assets | <u>\$ 517,076</u> |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

| | Beginning Balance <u>1/1/2017</u> | <u>Increases</u> | <u>Decreases</u> | Ending Balance <u>12/31/17</u> |
|---------------------------------------|---|---------------------|------------------|--------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 72,512 | \$ - | \$ - | \$ 72,512 |
| Capital assets being depreciated: | | | | |
| Buildings | 67,958 | - | - | 67,958 |
| Equipment and vehicles | 103,035 | - | - | 103,035 |
| Water distribution system | <u>6,808,722</u> | <u>68,880</u> | <u>-</u> | <u>6,877,602</u> |
| Total capital assets | <u>7,052,227</u> | <u>68,880</u> | <u>-</u> | <u>7,121,107</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 15,698 | 2,763 | - | 18,461 |
| Equipment and vehicles | 54,431 | 8,741 | - | 63,172 |
| Water distribution system | <u>2,331,376</u> | <u>171,559</u> | <u>-</u> | <u>2,502,935</u> |
| Total accumulated depreciation | <u>2,401,505</u> | <u>183,063</u> | <u>-</u> | <u>2,584,568</u> |
| Capital assets, net | <u>\$ 4,650,722</u> | <u>\$ (114,183)</u> | <u>\$ -</u> | <u>\$ 4,536,539</u> |

Depreciation expense included in the financial statements for 2017 totaled \$183,063.

(7) Changes in Long-Term Debt

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

| | |
|---|---------------------|
| Long-term debt payable at December 31, 2016 | \$ 3,671,303 |
| Long-term debt issued | - |
| Long-term debt retired | <u>(89,019)</u> |
| Long-term debt payable at December 31, 2017 | \$ 3,582,284 |
| Less portion of long-term debt due within one year | <u>(93,175)</u> |
| Portion of long-term debt due in more than one year | <u>\$ 3,489,109</u> |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Long-term debt payable at December 31, 2017, was comprised of the following issues:

| | |
|--|---------------------|
| \$3,579,000 Water Revenue Bonds, Note #91-01, issued February 2, 2001, due in monthly installments of \$17,511 over forty years starting August 2001 through July 2041; interest at 5.00 percent | \$ 2,870,231 |
| \$795,900 Water Revenue Bonds, Note #91-03, issued February 2, 2001, due in monthly installments of \$3,876 over forty years starting March 2001 through February 2041; interest at 5.0 percent | 626,025 |
| \$73,906 Water Revenue Bonds, Note #91-05, issued February 2, 2011 to reschedule delinquencies on Note #91-05, due in monthly installments of \$366 over 443 months through February 2041; interest at 5.0 percent | 60,028 |
| \$80,000 Certificates of Indebtedness, Series 2012, issued December 15, 2011, due in ten annual installments of \$7,000-9,000 starting December 2011 through December 2020; interest from 1 - 4.85 percent | <u>26,000</u> |
| | <u>\$ 3,582,284</u> |

The annual requirement to amortize all debt outstanding at December 31, 2017, is as follows:

| | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 2018 | 93,175 | 176,989 | 270,164 |
| 2019 | 98,533 | 172,324 | 270,857 |
| 2020 | 103,114 | 167,361 | 270,475 |
| 2021 | 98,929 | 162,109 | 261,038 |
| 2022 | 103,990 | 157,047 | 261,037 |
| 2023 - 2027 | 605,410 | 699,774 | 1,305,184 |
| 2028 - 2032 | 776,958 | 528,225 | 1,305,183 |
| 2033 - 2037 | 997,116 | 308,068 | 1,305,184 |
| 2038 - 2042 | <u>705,059</u> | <u>50,952</u> | <u>756,011</u> |
| Total | <u>\$ 3,582,284</u> | <u>\$ 2,422,849</u> | <u>\$ 6,005,133</u> |

(8) Flow of Funds; Restrictions on Use – Utility Revenues

Under the terms of the bond indentures for Notes 91-01, 91-03, and 91-05, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Each month there will be set aside into a “Debt Service Reserve Fund” an amount equal to five (5) percent of the annual payment of all notes. This monthly deposit should continue until the balance in the reserve fund reaches the total of one annual installment of all notes.

Funds will also be set aside into a “Depreciation and Contingency Fund” to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system, by transferring from the operation account an initial deposit of \$26,250 prior to loan closing and a monthly deposit of \$888 in perpetuity for the life of all loans.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The West Vernon Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2017.

(9) Compensation, Benefits and Other Payments to President

A detail of compensation, benefits, and other payments made to the Board President for the year ended December 31, 2017 follows:

| Purpose | Amount |
|---|--------|
| Roger Smart, President (January - March 2017) | |
| Salary | \$ 180 |
| Joseph Smith, President (April - December 2017) | |
| Salary | \$ 600 |

(10) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended December 31, 2017.

| Commissioner | Compensation |
|----------------|--------------|
| Roger Smart | \$ 180 |
| John Burns | 600 |
| Joseph Smith | 600 |
| Sherry Marze | 480 |
| Kim L. Beavers | 120 |
| Thurman Davis | 360 |
| Rex Fletcher | 300 |
| | \$ 2,640 |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(11) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year, nor have settlements exceeded coverage for the past three years.

(12) Pending Litigation

There was no litigation pending against the West Vernon Parish Waterworks District at December 31, 2017.

SUPPLEMENTARY INFORMATION

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2017

Records maintained by the West Vernon Parish Waterworks District indicated the following number of customers were being serviced during the month of December 2017:

| | |
|-------------|--------------|
| Residential | 1,325 |
| Commercial | <u>10</u> |
| | <u>1,335</u> |

The water rates of the District are as follows:

Residential rates:

\$26.00 per month for the first 2,000 gallons, then
\$ 5.00 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:

\$72.00 per month for the first 10,000 gallons, then
\$ 5.00 per 1,000 gallons or part thereof over 10,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

The aging of accounts receivable is as follows:

| | |
|--------------|------------------|
| Current | \$ 44,731 |
| 0 - 30 days | 114 |
| 31 - 60 days | 6 |
| Over 60 days | <u>15</u> |
| Total | <u>\$ 44,866</u> |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2017

| Coverage Provided For | Limits of Coverage (in dollars) | Description of limits | Expiration Date |
|-------------------------------------|------------------------------------|--|-----------------|
| Employee Fidelity Bond | \$ 1,000,000 | Employee theft | 07/01/18 |
| General Liability | \$ 1,000,000 | Each occurrence | 11/14/18 |
| | \$ 100,000 | Damage to rented premises/occurrence | |
| | \$ 1,000,000 | Personal injury | |
| | \$ 3,000,000 | General aggregate | |
| Property and Inland Marine Coverage | \$ 100,000 | Flood | 11/14/18 |
| | \$ 100,000 | Earthquake | |
| Commercial Auto Coverage | \$ 1,000,000 | Liability | 11/14/18 |
| | \$ 1,000,000 | Uninsured motorist | |
| | \$ 5,000 | Medical payments | |
| Workers Compensation | \$ 100,000 | Bodily injury by each accident | 11/14/18 |
| | \$ 500,000 | Bodily injury by disease policy limit | |
| | \$ 100,000 | Bodily injury by disease each employee | |
| Commercial Excess Liability | \$ 100,000 | Each occurrence | 11/14/18 |
| Crime Coverage | \$ 100,000 | Various Theft | 11/14/18 |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Comparative Statements of Net Position
December 31, 2017 and 2016

| ASSETS | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 320,030 | \$ 263,800 |
| Accounts receivable, net | 62,178 | 58,138 |
| Ad valorem tax receivable | <u>60,544</u> | <u>63,603</u> |
| Total current assets | <u>442,752</u> | <u>385,541</u> |
| Restricted assets - | | |
| Revenue bonds reserve account | 261,037 | 195,858 |
| Revenue bonds depreciation and contingency account | 206,514 | 261,037 |
| Customer deposits | <u>49,525</u> | <u>47,975</u> |
| Total restricted assets | <u>517,076</u> | <u>504,870</u> |
| Capital assets, net | <u>4,536,539</u> | <u>4,650,722</u> |
| Total assets | <u>5,496,367</u> | <u>5,541,133</u> |
| LIABILITIES | | |
| Current liabilities (payable from current assets): | | |
| Accounts payable | 14,027 | 5,460 |
| Accrued liabilities | 5,082 | 2,354 |
| Salaries payable | 8,547 | 7,030 |
| Other liabilities | <u>7,949</u> | <u>9,707</u> |
| Total current liabilities (payable from current assets) | <u>35,605</u> | <u>24,551</u> |
| Current liabilities (payable from restricted assets): | | |
| Customer deposits | 49,525 | 47,975 |
| Accrued interest on bonds | 14,222 | 14,568 |
| Current portion of long term debt | <u>93,175</u> | <u>89,029</u> |
| Total current liabilities (payable from restricted assets) | <u>156,922</u> | <u>151,572</u> |
| Total current liabilities | <u>192,527</u> | <u>176,123</u> |
| Noncurrent liabilities: | | |
| Certificates of indebtedness payable | 18,000 | 26,000 |
| Revenue bonds payable | <u>3,471,109</u> | <u>3,556,274</u> |
| Total noncurrent liabilities | <u>3,489,109</u> | <u>3,582,274</u> |
| Total liabilities | <u>3,681,636</u> | <u>3,758,397</u> |
| NET POSITION | | |
| Net investment in capital assets | 954,255 | 979,419 |
| Restricted for debt service | 453,329 | 442,327 |
| Unrestricted | <u>407,147</u> | <u>360,990</u> |
| Total net position | <u>\$1,814,731</u> | <u>\$1,782,736</u> |

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|--|-------------|-------------|
| Operating revenues: | | |
| Charges for services - | | |
| Water sales | \$ 658,175 | \$ 611,188 |
| Installation and service fees | 22,579 | 14,462 |
| Other fees | 27,066 | 26,609 |
| Total operating revenues | 707,820 | 652,259 |
| Operating expenses: | | |
| Advertising and promotion | 3,311 | 3,267 |
| Salaries and related benefits | 201,608 | 194,076 |
| Operation of plant | 179,468 | 170,541 |
| Depreciation | 183,063 | 182,203 |
| Total operating expenses | 567,450 | 550,087 |
| Operating income | 140,370 | 102,172 |
| Nonoperating revenues (expenses): | | |
| Ad valorem taxes | 61,673 | 60,542 |
| State revenue sharing | 11,023 | 15,558 |
| Interest income | 20 | 20 |
| Interest expense | (181,091) | (185,312) |
| Total nonoperating revenues (expenses) | (108,375) | (109,192) |
| Income (loss) before contributions | 31,995 | (7,020) |
| Capital contributions | - | - |
| Change in net position | 31,995 | (7,020) |
| Net position, beginning, as restated | 1,782,736 | 1,789,756 |
| Net position, ending | \$1,814,731 | \$1,782,736 |

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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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*

The Board of Commissioners
West Vernon Parish Waterworks District
Anacoco, Louisiana

We have audited, 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, the financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our 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 summary schedule of current and prior year audit findings and management's corrective action plan, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-001, 2017-003, 2017-004, 2017-005, and 2017-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-007, 2017-008, 2017-009, and 2017-010.

West Vernon Parish Waterworks District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The District'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

This 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Oberlin, Louisiana
May 11, 2018

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
For the Year Ended December 31, 2017

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Plan | Name of Contact Person | Anticipated Date of Completion |
|----------------------------|---|--|-------------------------------|--|--|--------------------------------------|
| CURRENT YEAR (12/31/17) -- | | | | | | |
| <u>Internal Control:</u> | | | | | | |
| 2017-001 | Unknown | Due to the small number of employees, the District did not have adequate segregation of duties within the accounting system. | | No response is considered necessary. | Shirley Rachal, Office Administrator | N/A |
| 2017-002 | 2010 | The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. | | The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation. | Shirley Rachal, Office Administrator | N/A |
| 2017-003 | 2013 | The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. It is recommended that the accounts receivable balance per the general ledger should be compared to the accounts receivable balance per the billing system at the end of each month. | | The accounts receivable trial balance will be reconciled to the general ledger on a monthly basis. | Shirley Rachal, Office Administrator | 12/31/2018 |

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2017

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Plan | Name of Contact Person | Anticipated Date of Completion |
|----------------------------|---|--|-------------------------------|---|--|--------------------------------------|
| CURRENT YEAR (12/31/17) -- | | | | | | |
| <u>Internal Control:</u> | | | | | | |
| 2017-004 | 2013 | The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger. Errors or irregularities could be made in the recording of deposits or refunds without being detected in a timely manner. It is recommended that the customer meter deposit detailed listing be compared to the deposit liability balance per the general ledger at the end of each month. | | The customer meter deposit detailed listing from the utility system will be reconciled to the general ledger on a monthly basis. | Shirley Rachal, Office Administrator | 12/31/2018 |
| 2017-005 | 2017 | The daily mileage reports being used by employees to support mileage reimbursements for business use of personal vehicles do not include sufficient information to determine the business purpose of travel. It is recommended that the District require employees to provide sufficient documentation on daily mileage reports to include the business purpose of the travel costs submitted for reimbursement. | | Daily mileage and travel expense reimbursement forms will include sufficient documentation to support the business purpose of travel. | Shirley Rachal, Office Administrator | 12/31/2018 |
| 2017-006 | 2017 | Controls in place over the processing of payroll failed to prevent the payment of an employee in excess of the board approved rate. It is recommended that policies and procedures be implemented to ensure employee are paid the board approved pay rates. See Compliance finding 2017-010. | | Employees will be paid at board approved rates. | Shirley Rachal, Office Administrator | 12/31/2018 |

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2017

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Plan | Name of Contact Person | Anticipated Date of Completion |
|----------------------------|---|---|-------------------------------|--|--|--------------------------------------|
| CURRENT YEAR (12/31/17) -- | | | | | | |
| <u>Compliance:</u> | | | | | | |
| 2017-007 | 2017 | During the year, the District incurred penalties for late payment of payroll tax deposits throughout the year. It is recommended that the District evaluate its procedures for making payroll tax deposits to ensure all payroll taxes are remitted timely. | | The District will make all payroll tax deposits timely. | Shirley Rachal, Office Administrator | 12/31/2018 |
| 2017-008 | 2016 | During the year, the District incurred penalties for late filing of sales tax returns throughout the year. It is recommended that the District evaluate its procedures for collecting and remitting sales taxes to ensure the proper amount is collected and remitted as required. | | Sales tax returns and sales tax payments will be filed and remitted timely. | Shirley Rachal, Office Administrator | 12/31/2018 |
| 2017-009 | 2017 | Employees are provided mileage reimbursement for business use of personal vehicles at a rate in excess of the GSA/IRS approved rate in violation of the Board approved Vehicle Use Policy. This excess amount was not included as income on employee's W-2s as required. | | The District will adhere to the Board approved policy and properly report excess mileage reimbursements as income as required. | Shirley Rachal, Office Administrator | 12/31/2018 |
| 2017-010 | 2017 | The board approved pay rate for the District's meter reader includes \$1.00 per meter read in addition to the employee's approved hourly rate. Based upon a review of the payroll records, the District's meter reader was paid an average of \$1.27 per meter read resulting in \$2,128 paid in excess of the board approved rate of \$1.00 per meter read. See internal control finding 2017-006. | | Employees will be paid at board approved rates. | Shirley Rachal, Office Administrator | 12/31/2018 |

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2017

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Plan | Name of Contact Person | Anticipated Date of Completion |
|--------------------------|---|--|-------------------------------|------------------------------------|---------------------------|--------------------------------------|
| PRIOR YEAR (12/31/16) -- | | | | | | |
| <u>Internal Control:</u> | | | | | | |
| 2016-001 | Unknown | Due to the small number of employees, the District did not have adequate segregation of duties within the accounting system. | No | See current year finding 2017-001. | | |
| 2016-002 | 2010 | The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. | No | See current year finding 2017-002. | | |
| 2016-003 | 2013 | The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. It is recommended that the accounts receivable balance per the general ledger should be compared to the accounts receivable balance per the billing system at the end of each month. | No | See current year finding 2017-003. | | |
| 2016-004 | 2013 | The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger. Errors or irregularities could be made in the recording of deposits or refunds without being detected in a timely manner. It is recommended that the customer meter deposit detailed listing be compared to the deposit liability balance per the general ledger at the end of each month. | No | See current year finding 2017-004. | | |

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
For the Year Ended December 31, 2017

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Plan | Name of Contact Person | Anticipated Date of Completion |
|--------------------------|---|--|-------------------------------|------------------------------------|---------------------------|--------------------------------------|
| PRIOR YEAR (12/31/16) -- | | | | | | |
| <u>Compliance:</u> | | | | | | |
| 2016-005 | 2016 | LSA-RS 38:2212.1(A)(1)(b) requires that purchases of ten thousand or more, but less than thirty thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations. During the year, the District did not obtain the required quotations prior to the purchase of a vehicle. | Yes | | | |
| 2016-006 | 2016 | During the year, the District incurred penalties for late filing of sales tax returns throughout the year. It is recommended that the District evaluate its procedures for collecting and remitting sales taxes to ensure the proper amount is collected and remitted as required. | No | See current year finding 2017-008. | | |

WEST VERNON PARISH WATERWORKS DISTRICT
Statewide Agreed-Upon Procedures Report

Year Ended December 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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To the Management of the
West Vernon Parish Waterworks District , and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of the West Vernon Parish Waterworks District and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The West Vernon Parish Waterworks District's management is responsible for those C/C areas identified in the SAUPs.

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

The District did not have written policies and procedures to address the function noted 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.

The District did not have written policies and procedures to address the function noted above.

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

The District did not have written policies and procedures to address the functions noted above.

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

The District did not have written policies and procedures to address the function noted above.

- 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 were obtained and address the functions noted 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 did not have written policies and procedures to address the functions noted above.

- 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

The District did not have written policies and procedures to address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

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

The District did not have written policies and procedures to address the functions noted above.

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.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met at least once every three months in accordance with adopted board policy.

- 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).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not include or reference monthly budget-to-actual comparisons for the major fund for any of the eleven months examined.

- 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. No budget-to-actual comparisons were made.

- 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.)

Obtained and reviewed the minutes for the managing board for the fiscal period noting that minutes referenced or included non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Obtained listing of client bank accounts from management and management's representation that 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;

Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliation have been prepared for all months.

- 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

Obtained bank statements and reconciliations for all months in the fiscal period noting evidence of management review was not present.

- 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.

Obtained bank statements and reconciliations for all months in the fiscal period noting there was no documentation included reflecting that management has researched reconciling items outstanding for more than 6 months as of the end of the fiscal period.

Collections

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

Obtained listing of cash collection locations and management's representation that 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.

Written documentation was obtained and addresses the functions noted above; however, one person responsible for collecting cash is also responsible for depositing the cash in the bank, recording the related transaction, and reconciling the bank account.

- 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.

For all selected locations, there is a formal process to reconcile cash collections to the general ledger by revenue source; however, the person responsible for this process is also responsible for cash collections

- 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.

The highest (dollar) week of cash collections for each location was obtained along with collection documentation, deposit slips, and bank statements. There was one exception noted in which the deposit was made 5 days after collection.

- 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.

All selected locations collections were completely supported by documentation.

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

There is no process specifically defined to determine the 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.

Listing of disbursements and management's representation that the listing is complete was obtained.

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.

Eight (8) of the twenty-five (25) transactions selected were initiated without the use of a purchase order.

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

Eight (8) of the twenty-five (25) transactions selected were approved by a person who initiated the purchase.

- 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.

Six (6) of the twenty-five (25) transactions were processed without an approved invoice.

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.

11. The person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system.

12. 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.

One person with signatory authority can also initiate and record purchases.

13. 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.

Through inquiry and observation, the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority.

14. 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.

There were no exceptions noted.

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.

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete was obtained.

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.

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.]

There was no evidence that the monthly combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

There were no finance charges or late charges assessed on any of the cards selected.

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)

There were no exceptions noted.

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

There were no exceptions noted.

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

All credit cards selected for testing had other documentation that was required.

- 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.

There were no exceptions noted.

- 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.

There were no exceptions 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.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

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.

Written policies were obtained and address the functions noted above. Employees are reimbursed in excess of GSA rates although the adopted policy states that employees are to be reimbursed at the allowable GSA rate.

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.

Two (2) of the three (3) transactions included mileage reimbursements that exceeded 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.]

There were no exceptions noted.

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

One (1) of the three (3) transactions had insufficient documentation of the business/public purpose.

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

There were no exceptions 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.

There were no exceptions noted.

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

All three employees selected did not have review and approval of each expense by someone other than the person receiving the reimbursement.

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 management's representation that the District did not have any contracts in place for the fiscal year.

- 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.

Not applicable.

- 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)

Not applicable.

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.

Not applicable.

- 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).

Not applicable.

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:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- 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.

One (1) of five (5) selected employees received payments not in accordance with their pay rate structure.

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

There were no exceptions 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.)

All selected employees had daily attendance and leave documented.

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

There was no written documentation that supervisors approved the attendance and leave records for any of the selected employees.

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

There were no exceptions 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.

Listing of employees terminated and management's representation that the listing is complete were obtained. No termination payments were made.

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.

The L1 form for the 1st quarter was not submitted on time and related taxes were paid late.

The 941 payroll taxes for the 1st month of the 1st quarter were not paid on time.

The District did not have any retirement contributions during the fiscal period.

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.

Of the five (5) employees tested, we were unable to determine if one (1) of the employees completed ethics training.

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.

Management asserted that they have received no ethics allegations during the fiscal period.

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.

No debt was issued during the fiscal period.

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.

All scheduled debt service payments were made, and debt reserves were maintained as required by debt covenants.

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

The District had no tax millages relating to debt service.

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.

Management has asserted that the District did not have any misappropriations of public funds or assets.

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.

Required notices were not posted on the entity's premises. The District does not maintain 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.

There were no exceptions noted.

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 results 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
May 11, 2018