

CAMERON PARISH WATERWORKS DISTRICT NO. 2
Hackberry, Louisiana

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

July 21, 2022

Board of Commissioners
Cameron Parish Waterworks District No. 2
Hackberry, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cameron Parish Waterworks District No. 2, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Cameron Parish Waterworks District No. 2's 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.

Auditors' 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 auditors' 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 Cameron Parish Waterworks District No. 2 as of December 31, 2021, 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

Accounting principles generally accepted in the United States of America require that the supplemental information on pages 30-33 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cameron Parish Waterworks District No. 2's financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented on page 35 for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2022, on our consideration of Cameron Parish Waterworks District No. 2's internal control over financial reporting and 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 the 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 Cameron Parish Waterworks District No. 2's internal control over financial reporting and compliance.

Haggen, Cassidy: Guilbert

BASIC FINANCIAL STATEMENTS

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Net Position

December 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 1,729,234	\$ 1,236,710
Receivables		
Ad valorem taxes, net	549,229	630,734
Accounts, net	48,415	8,845
Intergovernmental	124,713	124,713
State revenue sharing	1,308	1,308
Restricted Assets		
Cash - customer deposits	38,135	37,955
Total Current Assets	<u>2,491,034</u>	<u>2,040,265</u>
Property, plant and equipment		
Buildings	366,640	366,640
Distribution system	470,273	470,273
Furniture and fixtures	37,225	34,865
Improvements	1,946,277	1,908,692
Machinery and equipment	292,069	287,964
	<u>3,112,484</u>	<u>3,068,434</u>
Less accumulated depreciation	1,793,130	1,716,514
	<u>1,319,354</u>	<u>1,351,920</u>
Land	1,000	1,000
	<u>1,320,354</u>	<u>1,352,920</u>
Other assets		
Net pension asset	46,470	64,285
	<u>46,470</u>	<u>64,285</u>
Total Assets	3,857,858	3,457,470
DEFERRED OUTFLOWS OF RESOURCES		
	<u>109,523</u>	<u>82,785</u>

Continued

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Net Position - Continued

December 31, 2021

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 89,942	\$ 5,275
Accrued liabilities	13,785	9,517
Customer deposits	38,135	37,955
Unearned revenue	2,915	2,915
Intergovernmental	60,978	60,978
Total Current Liabilities	<u>205,755</u>	<u>116,640</u>
Long-term Liability		
Net pension liability	-	-
Net OPEB obligation	212,454	199,144
Total Liabilities	<u>418,209</u>	<u>315,784</u>
DEFERRED INFLOWS OF RESOURCES	<u>173,566</u>	<u>211,586</u>
NET POSITION		
Net investment in capital assets	1,320,354	1,352,920
Net position - unrestricted	2,055,252	1,659,965
Total Net Position	<u>\$ 3,375,606</u>	<u>\$ 3,012,885</u>

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Revenues, Expenses
and Changes in Net Position

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 466,208	\$ 385,385
Miscellaneous revenue	1,879	3,803
TOTAL OPERATING REVENUES	<u>468,087</u>	<u>389,188</u>
OPERATING EXPENSES		
Auto	13,484	10,192
Bank service fees	373	26
Chemicals	33,161	33,189
Depreciation	76,616	76,533
Dues	14,965	18,423
Employee benefits - OPEB	(4,470)	(6,613)
Equipment rental	3,328	11,946
Insurance - general	18,641	16,388
Insurance - health	67,793	76,241
Maintenance	229,560	104,874
Miscellaneous	1,623	701
Office expense	6,513	11,795
Per diem	3,480	3,480
Postage	1,658	2,344
Professional fees	17,696	20,338
Retirement employees	23,607	34,461
Retirement - net pension	(23,457)	13,746
Salaries	217,548	339,108
Samples	1,265	750
Taxes and licenses	4,230	9,551
Telephone	14,795	13,046
Utilities	26,968	21,593
TOTAL OPERATING EXPENSES	<u>749,377</u>	<u>812,112</u>
OPERATING INCOME (LOSS)	(281,290)	(422,924)

Continued

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Revenues, Expenses
and Changes in Net Position - Continued

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 541,673	\$ 619,496
State revenue sharing	2,314	2,347
Gain on sale of equipment	635	1,751
Interest income	16,165	25,762
Insurance proceeds	83,224	-
Intgovernmental - FEMA	-	102,178
Hurricane related expenses	-	(102,178)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>644,011</u>	<u>649,356</u>
CHANGE IN NET POSITION	362,721	226,432
NET POSITION - BEGINNING	<u>3,012,885</u>	<u>2,786,453</u>
NET POSITION - ENDING	<u>\$ 3,375,606</u>	<u>\$ 3,012,885</u>

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Cash Flows

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and others	\$ 428,697	\$ 404,458
Payments for supplies and expenses	(307,073)	(273,540)
Payments to employees for services and related benefits	(228,881)	(899,076)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(107,257)</u>	<u>(768,158)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	541,673	619,496
State revenue sharing	2,314	2,347
Insurance proceeds	83,224	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>627,211</u>	<u>621,843</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gain on sale of equipment	635	1,751
Purchase of fixed assets	(44,050)	(71,026)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(43,415)</u>	<u>(69,275)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>16,165</u>	<u>25,762</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	492,704	(189,828)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,274,665</u>	<u>1,464,493</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,767,369</u></u>	<u><u>\$1,274,665</u></u>

Continued

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Cash Flows - Continued

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (281,290)	\$ (422,924)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	76,616	76,533
Net change in deferred inflows/outflows	(64,758)	222,059
(Increase) decrease in:		
Accounts receivable	(39,570)	13,146
Ad valorem taxes receivable	81,505	(336,798)
Other receivables	-	(102,177)
Increase (decrease) in:		
Accounts payable	84,667	5,096
Customer deposits	180	2,124
Accrued liabilities	4,268	(5,271)
Net pension liability	17,815	(154,645)
OPEB obligation	13,310	(65,301)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (107,257)</u>	<u>\$ (768,158)</u>

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

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cameron Parish Waterworks District No. 2 was created by the Cameron Parish Police Jury under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the Hackberry area of the Parish. The District is governed by a board of commissioners.

1. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity for Cameron Parish Waterworks District No. 2. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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 Cameron Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury 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 police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority to the board and has the ability to impose its will, the District was determined to be a component unit of the Cameron Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

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. The operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses from enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Cash

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2021, the District has \$1,767,064 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$1,267,064 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Accounts Receivable

The District utilizes the allowance method to recognize doubtful accounts. The allowance for doubtful accounts at December 31, 2021 was \$0.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disasters or other calamity in this one concentrated geographic location.

5. Compensated Absences

The District has the following policy relating to vacation and sick leave:

Vacation – 5-25 days per year depending on length of service

Sick Leave – 12-18 days per year, depending on length of service

The District's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 16 also provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2021, the District had an accrual for compensated absences of \$13,785.

6. Statement of Cash Flow

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

Total cash and cash equivalents at December 31, 2021 of \$1,767,369 represent unrestricted cash of \$1,729,234 and restricted cash of \$38,135.

7. Net Position

In the financial statements, equity is classified as net assets and displayed in three components:

- 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 improvement of those assets.
- b. Net position – restricted – Consists of net position with constraints placed on use either by (1) external groups such as creditors grantors, contributors, laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - unrestricted – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net or related debt”.

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, expenditures are to be spent from restricted net position first and then unrestricted.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. 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 and expenses during the reporting period. Actual results could differ from those estimates.

9. Subsequent Events

Management has evaluated subsequent events through July 21, 2022, the date the financial statements were available to be issued.

10. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation.

11. Budgets

A budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The proposed budget is presented to the government's Board of Directors for review.

The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Expenses may not legally exceed budgeted appropriations of the activity level.

NOTE B – AD VALOREM TAXES

For the year ended December 31, 2021, taxes of 5.00 mills were levied on property with taxable assessed valuations totaling \$113,737,730.

Total taxes levied were \$ 568,689

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE B – AD VALOREM TAXES - CONTINUED

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

NOTE C – PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	5-25 years
Distribution system	3-40 years
Furniture and fixtures	5 years
Improvements	10-50 years
Machinery and equipment	5-15 years

A summary of changes in property, plant and equipment for the year ended December 31, 2021 are as follows:

	Beginning of Year	Net Additions	End of Year
Buildings	\$ 366,640	\$ -	\$ 366,640
Distribution system	470,273	-	470,273
Furniture and fixtures	34,865	2,360	37,225
Improvements	1,908,692	37,585	1,946,277
Machinery and equipment	287,964	4,105	292,069
Land	1,000	-	1,000
	<u>3,069,434</u>	<u>\$ 44,050</u>	<u>3,113,484</u>
Less accumulated depreciation	<u>1,716,514</u>		<u>1,793,130</u>
TOTALS	<u><u>\$ 1,352,920</u></u>		<u><u>\$ 1,320,354</u></u>

Depreciation expense was \$76,616 for the year ended December 31, 2021.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE D - RETIREMENT COMMITMENTS

The District participates in a state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the District's full-time employees. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the District's participation in these systems are provided below.

Parochial Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B with separate assets and benefit provisions. Employees of the District are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least twenty-eight hours per week and not participating in another public funded retirement system. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years if service.
3. Age 67 with 7 years of service.

Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, LA 70898.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

Plan members are required to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 12.25% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the System's Board of Trustees. The District's contributions to the System for the year ended December 31, 2021 totaled \$23,607.

At December 31, 2021, the District reported a net pension asset of \$46,470 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2021, the District's proportion was .0265022%.

For the year ended December 31, 2021, the District recognized pension expense (benefit) of (\$23,457) including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$2,108. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 11,314	\$ 5,546
Difference between expected and actual investments	-	90,695
Change in assumption	15,203	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	4,561	8,481
Contributions subsequent to the measurement date	<u>23,607</u>	<u>-</u>
Total	<u>\$ 54,685</u>	<u>\$ 104,722</u>

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

\$23,607 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2022	\$ (20,098)
2023	(7,159)
2024	(29,462)
2025	(16,924)
2026	-
Thereafter	-

Actuarial methods and assumption. The total pension liability in the December 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.40% (Net of investment expense)
Expected Remaining Service Lives	4 years
Projected Salary Increases	Plan A – 4.75%
Cost of Living Adjustments	The present values of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet amortized by the Board of Trustees.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

Mortality	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Inflation Rate	2.30%

The discount rate used to measure the total pension liability was 6.40% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations and projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.00% for the year ended December 31, 2021.

Best estimates of arithmetic real rates of return for major asset class included in the System's target asset allocation as of December 31, 2021 are summarized in the following table:

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE D - RETIREMENT COMMITMENTS – CONTINUED

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	33%	0.86%
Equity	51%	3.36%
Alternatives	14%	0.67%
Real assets	2%	0.11%
Total	100%	5.00%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.00%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent of the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to changes in discount rate. The following presents the net pension liability of the District calculated using the discount rate of 6.40%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.40% or one percentage point higher 7.40% than the current rate.

	Changes in Discount Rate 2021		
	1% Decrease 5.40%	Current Discount Rate 6.40%	1% Increase 7.40%
Net Pension Liability (Asset)	\$ 97,433	\$ (46,470)	\$ (166,984)

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE E - PER DIEM

In accordance with Louisiana Revised Statute 33:3819, per diem is allowed not to exceed \$60 per meeting attended, up to twenty-four regular meetings and twelve special meetings. The Board has approved per diem at \$60.

Per diem paid commissioners for the year ended December 31, 2021 were as follows:

Donald Buford	\$ 780
Brad Hinton	600
Michael Fewell	780
Mark Trahan	780
Michael Welch	<u>540</u>
	<u>\$ 3,480</u>

NOTE F - 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE G – CONTINGENCIES

On August 27, 2020 Hurricane Laura made landfall in Southwest Louisiana as a Category 4 hurricane which was followed by Hurricane Delta on October 8, 2020. The full extent of damages to the District's facilities or effects on operations are considered fully repaired as of December 31, 2021.

At December 31, 2021 the Statement of Net Position is reporting accounts receivable and accounts payable from/to FEMA of \$124,713 and \$60,978, respectively representing final hurricane related cost reimbursements.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE H – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

General Information about the OPEB Plan

Plan description – Hackberry Water provides certain continuing health care and life insurance benefits for its retired employees. Hackberry Water's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by Hackberry Water. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with Hackberry Water. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided – Medical and life insurance benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Employees retirement eligibility (D.R.O.P. entry) provisions are as follows: Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

Life insurance coverage is provided to retirees and 100% of the blended rate (active and retired) is paid by the employer. A level \$20,000 amount of insurance coverage while active is continued after retirement.

Employees covered by benefit terms – At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	3
	<hr/>
	5

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE H – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS -
CONTINUED

Total OPEB Liability

Hackberry Water's total OPEB liability of \$212,454 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Salary increases	3.0%, including inflation
Discount rate	2.12%, annually (Beginning of Year to Determine ADC)
	2.06%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2021, the end of the applicable measurement period.

Mortality rates were based on the SOA RP-2014 Combined mortality Table.

Changes in the Total OPEB Liability

Balance at December 31, 2020	\$ 199,144
Changes for the year:	
Service cost	5,129
Interest	4,276
Differences between expected and actual experience	20,310
Changes in assumptions	-
Benefit payments and net transfers	(17,647)
Net changes	13,310
Balance at December 31, 2021	\$ 212,454

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE H – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of Hackberry Water, as well as what Hackberry Water’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.06%) or 1-percentage-point higher (3.06%) than the current discount rate:

	1.0% Decrease (1.06%)	Current Discount Rate (2.06%)	1.0% Increase (3.06%)
Total OPEB liability	\$ 235,774	\$ 212,454	\$ 192,721

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of Hackberry Water, as well as what Hackberry Water’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 197,405	\$ 212,454	\$ 230,054

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, Hackberry Water recognized OPEB benefit of \$4,470. At December 31, 2021, Hackberry Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,875	\$ (58,640)
Changes in assumptions	34,962	(10,203)
Total	\$ 54,838	\$ (68,844)

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

NOTE H – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS –
CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2022	(1,935)
2023	(1,935)
2024	(1,935)
2025	(1,935)
2026	(1,935)
Thereafter	(4,333)

NOTE I – TAX ABATEMENTS

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millages in force at the time. The future value of this exempt property could be subject to significant fluctuation from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. All applicable agreements have been entered into by the Cameron Parish Police Jury and directly affect the District's ad valorem assessments. Because these taxes are not assessed or due, no adjustments have been made to the District's financial statements to record a receivable. As of December 31, 2021, \$2,138,390,510 of assessed property in the District's taxing jurisdiction is receiving this exemption, which amounts to \$10,691,953 in ad valorem taxes.

REQUIRED SUPPLEMENTAL INFORMATION

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended December 31, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 5,129	\$ 2,148	\$ 1,484	\$ 1,741
Interest	4,276	7,275	9,736	8,947
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	20,310	(71,236)	2,430	(2,385)
Changes of assumptions	1,242	13,239	31,023	(14,738)
Benefit payments	(17,647)	(16,727)	(16,952)	(16,068)
Net change in total OPEB Liability	<u>13,310</u>	<u>(65,301)</u>	<u>27,721</u>	<u>(22,503)</u>
Total OPEB liability - beginning	<u>199,144</u>	<u>264,445</u>	<u>236,724</u>	<u>259,227</u>
Total OPEB liability - ending (a)	<u>\$ 212,454</u>	<u>\$ 199,144</u>	<u>\$ 264,445</u>	<u>\$ 236,724</u>
Covered-employee payroll	\$ 273,155	\$ 265,199	\$ 153,824	\$ 149,344
Net OPEB liability as a percentage of covered-employee payroll	77.78%	75.09%	171.91%	158.51%
Notes to Schedule:				
<i>Benefit Changes:</i>	None	None	None	None
<i>Changes of Assumption:</i>				
<i>Discount Rate:</i>	2.06%	2.12%	2.74%	4.10%
<i>Mortality:</i>	RP-2014	RP-2014	RP-2000	RP-2000
<i>Trend:</i>	Variable	Variable	5.5%	5.5%

This schedule is intended to show information for 10-years. Additional years will be displayed as they become available.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Schedule of Employer's Proportionate Share of Net Pension Liability

Year Ended December 31, 2021

Parochial Employees' Retirement System of Louisiana

<u>Date</u>	<u>Employer's portion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered payroll</u>	<u>Employers' proportionate share of the net pension liability (asset) as a percentage of it's covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Municipal Employees Retirement System of Louisiana (System):					
2015	0.01863%	\$ 4,761	\$ 157,151	3.03%	99.14%
2016	0.01832%	\$ 25,102	\$ 161,313	15.56%	92.23%
2017	0.01947%	\$ 40,098	\$ 217,548	18.43%	94.15%
2018	0.01916%	\$ (14,223)	\$ 171,302	-8.30%	101.98%
2019	0.02836%	\$ 93,360	\$ 190,611	48.98%	88.86%
2020	0.03666%	\$ (64,285)	\$ 339,108	-18.96%	99.89%
2021	0.02650%	\$ (46,470)	\$ 217,548	-21.36%	104.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The amounts presented have a measurement date of December 31, 2020.

CAMERON PARISH WATERWORKS DISTRICT NO. 2
Hackberry, Louisiana

Schedule of Employer Contributions

Year Ended December 31, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Parochial Employees Retirement System of Louisiana (System):					
2015	\$ 25,397	\$ 25,397	\$ -	\$ 157,151	16.2%
2016	\$ 19,994	\$ 19,994	\$ -	\$ 161,313	12.4%
2017	\$ 16,863	\$ 16,863	\$ -	\$ 217,548	7.8%
2018	\$ 21,429	\$ 21,429	\$ -	\$ 171,302	12.5%
2019	\$ 21,721	\$ 21,721	\$ -	\$ 190,611	11.4%
2020	\$ 34,461	\$ 34,461	\$ -	\$ 339,108	10.2%
2021	\$ 23,607	\$ 23,607	\$ -	\$ 217,548	10.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Revenues, Expenses
and Changes in Net Position - Budget and Actual

Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Charges for services	\$ 390,000	\$ 466,208	\$ 76,208
Miscellaneous revenue	100	1,879	1,779
TOTAL OPERATING REVENUES	<u>390,100</u>	<u>468,087</u>	<u>77,987</u>
OPERATING EXPENSES			
Auto	10,000	13,484	(3,484)
Bank fees	-	373	(373)
Chemicals	40,000	33,161	6,839
Depreciation	75,000	76,616	(1,616)
Dues	5,000	14,965	(9,965)
Employee benefits - OPEB	25,000	(4,470)	29,470
Equipment rental	1,500	3,328	(1,828)
Insurance - general	12,000	18,641	(6,641)
Insurance - health	77,000	67,793	9,207
Janitorial services	5,500	-	5,500
Maintenance	150,000	229,560	(79,560)
Miscellaneous	1,500	1,623	(123)
Office expense	13,000	6,513	6,487
Per diem	3,400	3,480	(80)
Postage	2,000	1,658	342
Professional fees	20,000	17,696	2,304
Retirement employees	22,000	23,607	(1,607)
Retirement - net pension	25,000	(23,457)	48,457
Salaries	180,000	217,548	(37,548)
Samples	-	1,265	(1,265)
Taxes and licenses	3,000	4,230	(1,230)
Telephone	12,000	14,795	(2,795)
Travel	1,000	-	1,000
Utilities	26,000	26,968	(968)
TOTAL OPERATING EXPENSES	<u>709,900</u>	<u>749,377</u>	<u>(39,477)</u>
OPERATING INCOME (LOSS)	<u>(319,800)</u>	<u>(281,290)</u>	<u>38,510</u>
NON-OPERATING REVENUES (EXPENSES)			
Ad valorem taxes, net	653,000	541,673	(111,327)
State revenue sharing	1,500	2,314	814
Gain on sale of equipment	-	635	635
Insurance proceeds	-	83,224	83,224
Interest income	15,000	16,165	1,165
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>669,500</u>	<u>644,011</u>	<u>(25,489)</u>
CHANGE IN NET POSITION	349,700	362,721	13,021
NET POSITION - BEGINNING	<u>3,012,885</u>	<u>3,012,885</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 3,362,585</u>	<u>\$ 3,375,606</u>	<u>\$ 13,021</u>

OTHER INFORMATION

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Schedule of Compensation, Benefits and Other Payments
To Chief Executive Officer

Year Ended December 31, 2021

Chief Executive Officer: Michael Fewell, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	780
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-

INDEPENDENT AUDITORS' 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

July 21, 2022

Board of Commissioners
Cameron Parish Waterworks District No. 2
Hackberry, 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 Cameron Parish Waterworks District No. 2, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Cameron Parish Waterworks District No. 2's basic financial statements, and have issued our report thereon dated July 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cameron Parish Waterworks District No. 2'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 Cameron Parish Waterworks District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Cameron Parish Waterworks District No. 2's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

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

Cameron Parish Waterworks District No. 2's Response to Findings

Cameron Parish Waterworks District No. 2's response to the findings identified in our audit is described in the accompanying findings and responses. The District's response was not subjected to the auditing procedures in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dragan, Cassidy: Gullory

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Schedule of Findings and Responses

Year Ended December 31, 2021

1. Summary of Auditors' Results:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified? yes no
- Control deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

2. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

Finding #2021-1:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Corrective Action Planned/Management Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review of bank reconciliations on a monthly basis.

Continued

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Schedule of Findings and Responses - Continued

Year Ended December 31, 2021

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

Finding #2020-01:

Inadequate segregation of duties.

Corrective Action Taken: None, repeat finding in 2021.

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

June 29, 2022

Board of Commissioners
Cameron Parish Waterworks District No. 2
Hackberry, Louisiana

We have performed the procedures included enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2021 through December 31, 2021. The Cameron Parish Waterworks District No. 2's management is responsible for those C/C areas identified in the SAUPs.

Cameron Parish Waterworks District No. 2 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal year January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

The District does not have a written policies and procedures manual.

- 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 does not have a written policies and procedures manual.

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

The District does not have a written policies and procedures manual.

- d) *Receipt/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.g. periodic confirmations with outside parties,

reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).

The District does not have a written policies and procedures manual.

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

The District does not have a written policies and procedures manual.

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

The District does not have a written policies and procedures manual.

- 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 (e.g., determining the reasonableness of fuel card purchases).

The District does not have a written policies and procedures manual.

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

The District does not have a written policies and procedures manual.

- 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.

The District does not have a written policies and procedures manual.

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

The District does not have a written policies and procedures manual.

- k) *Information Technology Disaster Recovery/Business Continuity*, includes (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The District does not have a written policies and procedures manual.

- 1) *Sexual Harassment*, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

The District does not have a written policies and procedures manual.

Management response: Management will implement a policies and procedures manual in the future.

Board or Finance Committee

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.

No exceptions noted.

- 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, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on special revenue funds.

The minutes did not reference or include monthly budget-to-actual comparisons.

Management Response: The District will implement a policy to review monthly budget-to-actual comparisons at the board meetings and reference the comparisons in the minutes to the board meetings.

- 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.

No exceptions noted.

Bank Reconciliations

3. Obtain a listing of the entity's 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 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected 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 longed);

No exceptions noted.

- 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

No exceptions noted.

- 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.

No exceptions noted.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The listing was provided by management.

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 the job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The cash drawer is shared.

- 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.

The employee responsible for collecting cash is responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The employee responsible for collecting cash is responsible for posting collection entries to the general ledger.

- d) The employee 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.

The employee responsible for reconciling collections to the general ledger by revenue source is responsible for collecting cash.

Management Response: The District maintains an office with only one office employee who performs all accounting functions. As a compensating control, a board member reviews each bank statement and reconciliation.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions noted.

- 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 no the same day). Obtain supported documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- 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 and the cash is stored securely in a locked safe or drawer).

Deposits where made within 3 days of receipt.

Management response: Management will ensure the deposits are made within one business day of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding 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).

The listing was provided by management.

- 9. For each location selected under #8 above, obtain a list 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 the purchase.

Purchases are initiated by only one employee.

Management Response: Due to only one office personnel, this procedure is not feasible.

- b) At least two employees are involved in processing and approving payments to vendors.

At least two employees are not involved in processing and approving payments to vendors.

Management Response: Due to only one office personnel, this procedure is not feasible.

- 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.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files. However, 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.

The employee who processes checks also mails checks.

Management Response: Due to only one office personnel, this procedure is not feasible.

- 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 itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9 as applicable.

Disbursements tested included exceptions of #9 as noted above.

Management response: The District will segregate duties over processing disbursements as much as possible.

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), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The listing was provided by management.

- 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 or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

There was no written approval of review by someone other than the authorized card holder.

Management response: Management will implement a procedure to review and document the approval of credit card monthly statements by someone other than the authorized card holder.

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

No finance charges and/or late fees were 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, observed 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).

All transactions tested had original itemized receipts attached to the statement with written documentation of the business/public purpose. No charges for meals were selected.

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).

No travel and travel-related expense reimbursements occurred in 2021.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No travel and travel-related expense reimbursements occurred in 2021.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No travel and travel-related expense reimbursements occurred in 2021.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No travel and travel-related expense reimbursements occurred in 2021.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the list 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., solicited quotes or bids, advertised), if required by law.

The District did not initiate or renew any agreements or contracts in 2021.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

The District did not initiate or renew any agreements or contracts in 2021.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

The District did not initiate or renew any agreements or contracts in 2021.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

The District did not initiate or renew any agreements or contracts in 2021.

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 five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

No exceptions noted.

17. Randomly select on pay period during the fiscal period. For the 5 employees/officials selected under #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 (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.)

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination pay 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 payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the payrates to the employee/officials' authorized pay rates in the employee/officials' personnel files, and agree the termination payment to the entity policy.

No terminations in 2021.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the five 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.

All employees tested had documentation of one hour of ethics training during the fiscal period.

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions noted.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the list is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each debt instrument issued.

The District did not issue any debt.

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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

The District does not have any debt.

Fraud Notice

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.

The District was not aware of any misappropriation of public funds or assets during the fiscal year.

24. Observe 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.

The District has the required notice posted in a conspicuous place upon its premises or its website.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management. No exceptions noted.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

Management Response: Management will have evidence of quarterly backup testing in the future.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management. No exceptions noted.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

No exceptions noted.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exceptions noted.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

The annual sexual harassment report for 2021 was not filed as of February 1.

b) Number of sexual harassment complaints received by the agency;

The annual sexual harassment report for 2021 was not filed as of February 1.

c) Number of complaints which resulted in a finding that sexual harassment occurred;

The annual sexual harassment report for 2021 was not filed as of February 1.

d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

The annual sexual harassment report for 2021 was not filed as of February 1.

e) Amount of time it took to resolve each complaint.

The annual sexual harassment report for 2021 was not filed as of February 1.

Management Response: Management will file the District's annual sexual harassment report.

We were engaged by Cameron Parish Waterworks District No. 2 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Cameron Parish Waterworks District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Dragon, Cassidy: Shilley