

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

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

Table of Contents

| | Statement | Page(s) |
|---|-----------|---------|
| INDEPENDENT AUDITOR’S REPORT | - | 1-2 |
| BASIC FINANCIAL STATEMENTS: | | |
| Statement of Net Position | A | 4 |
| Statement of Activities | B | 5 |
| Statement of Net Position – Proprietary Fund | C | 6 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund | D | 7 |
| Statement of Cash Flows – Proprietary Fund | E | 8-9 |
| Notes to the Financial Statements | - | 11-17 |
| | Schedule | Page(s) |
| Other Supplemental Schedules | | |
| Schedule of Per Diem Paid to Board Members | 1 | 19 |
| Schedule of Compensation, Benefits and Other Payments to Agency Head | 2 | 20 |
| Other Reports | | |
| Schedule of Prior Year Audit Findings | 3 | 22 |
| Schedule of Current Year Audit Findings and Management’s Response | 4 | 23 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | - | 24-25 |
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | - | 26-34 |

Windham & Reed, L.L.C.

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's, basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana as of December 31, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing, and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are fairly stated in all materials respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, on our consideration of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
May 13, 2019

BASIC FINANCIAL STATEMENTS

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

Statement A

Statement of Net Position
For the Year Ending December 31, 2018

| | Business-type Activities - <u>Enterprise Fund</u> Water and Sewer |
|------------------------------------|---|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 2,358,752 |
| Receivables: | |
| Accounts | 47,694 |
| Ad valorem taxes | 694,642 |
| Payroll taxes | 1,438 |
| Total current assets | <u>\$ 3,102,526</u> |
| Noncurrent Assets | |
| Land | \$ 124,673 |
| Work in progress | 1,211,733 |
| Utility plant and equipment - net | 2,644,691 |
| Total noncurrent assets | <u>\$ 3,981,097</u> |
| Total assets | <u><u>\$ 7,083,623</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | \$ 29,506 |
| Contracts payable | 84,928 |
| Payroll benefits payable | 2,859 |
| Pension payable - ad valorem tax | 24,276 |
| Total current liabilities | <u>\$ 141,569</u> |
| Noncurrent Liabilities | |
| Customer deposits | \$ 7,200 |
| Total liabilities | <u>\$ 148,769</u> |
| Net Position | |
| Net investment in capital assets | \$ 3,896,169 |
| Unrestricted | <u>3,038,685</u> |
| Total net position | <u>\$ 6,934,854</u> |
| Total liabilities and net position | <u><u>\$ 7,083,623</u></u> |

The accompanying notes are an integral part of this statement.

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

Statement B

Statement of Activities
For the Year Ending December 31, 2018

| | Program Revenues | | | Net (Expenses) Revenues and Changes in Net |
|-----------------------------------|------------------|-------------------------|-------------------------------------|--|
| Program Activities | Expenses | Charges for Services | Capital Grants and Contributions | Business-type Activities |
| Business-type activities: | | | | |
| Water system | \$ 1,075,905 | \$ 643,778 | \$ 255,808 | \$ (176,319) |
| General revenues: | | | | |
| Investment earnings | | | | \$ 7,009 |
| Ad valorem tax receipts | | | | 702,143 |
| Gain on sale of assets | | | | 10,355 |
| Insurance proceeds | | | | 10,370 |
| Miscellaneous | | | | 626 |
| Total general revenues | | | | 730,503 |
| Change in net position | | | | 554,184 |
| Net position at beginning of year | | | | 6,380,670 |
| Net position at end of year | | | | \$ 6,934,854 |

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2018

| | Business-type Activities - Enterprise Fund Water and Sewer |
|------------------------------------|--|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 2,358,752 |
| Receivables: | |
| Accounts | 47,694 |
| Ad valorem taxes | 694,642 |
| Payroll taxes | 1,438 |
| Total current assets | <u>\$ 3,102,526</u> |
| Noncurrent Assets | |
| Land | \$ 124,673 |
| Work in progress | 1,211,733 |
| Utility plant and equipment - net | 2,644,691 |
| Total noncurrent assets | <u>\$ 3,981,097</u> |
| Total assets | <u><u>\$ 7,083,623</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | \$ 29,506 |
| Contracts payable | 84,928 |
| Payroll benefits payable | 2,859 |
| Pension payable - ad valorem tax | 24,276 |
| Total current liabilities | <u>\$ 141,569</u> |
| Noncurrent Liabilities | |
| Customer deposits | \$ 7,200 |
| Total liabilities | <u>\$ 148,769</u> |
| Net Position | |
| Net investment in capital assets | \$ 3,896,169 |
| Unrestricted | 3,038,685 |
| Total net position | <u>\$ 6,934,854</u> |
| Total liabilities and net position | <u><u>\$ 7,083,623</u></u> |

The accompanying notes are an integral part of this statement.

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

Statement D

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ending December 31, 2018

| | Business-type Activities - <u>Enterprise Fund</u> Water and Sewer |
|--|---|
| Operating revenues | |
| Charges for services | \$ 643,778 |
| Operating expenses | |
| Personal services and related benefits | \$ 485,443 |
| Supplies | 20,486 |
| Contractual services | 350,409 |
| Utilities | 57,385 |
| Depreciation | 137,906 |
| Total operating expenses | <u>\$ 1,051,629</u> |
| Income (loss) from operations | <u>\$ (407,851)</u> |
| Nonoperating revenues (expenses) | |
| Investment income | \$ 7,009 |
| Ad valorem taxes | 702,143 |
| Gain on sale of assets | 10,355 |
| Insurance proceeds | 10,370 |
| Miscellaneous | 626 |
| Ad valorem taxes - pension expense | (24,276) |
| Total nonoperating revenue (expenses) | <u>\$ 706,227</u> |
| Income (loss) before contributions | \$ 298,376 |
| Capital contributions | <u>255,808</u> |
| Change in net position | \$ 554,184 |
| Net position at beginning of year | <u>6,380,670</u> |
| Net position at end of year | <u><u>\$ 6,934,854</u></u> |

The accompanying notes are an integral part of this statement.

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

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2018

| | Business-type Activities - Enterprise Fund |
|--|--|
| | Water and Sewer |
| Cash flows from operating activities: | |
| Cash received from customers | \$ 640,450 |
| Cash payments to suppliers for goods and services | (437,559) |
| Cash payments to employees for services | (486,297) |
| Net cash used by operating activities | \$ (283,406) |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | \$ (872,587) |
| Contributed capital received | 255,808 |
| Gain on sale of assets | 10,355 |
| Net cash used for capital and related financing activities | \$ (606,424) |
| Cash flows from non-capital and related financing activities: | |
| Ad valorem tax collections | \$ 636,242 |
| Pension paid on ad valorem taxes | (22,374) |
| Miscellaneous income | 626 |
| Insurance proceeds | 10,370 |
| Net cash provided by non-capital and related financing activities | \$ 624,864 |
| Cash flow from investing activities: | |
| Investment income | \$ 7,009 |
| Net increase (decrease) in cash and cash investments | \$ (257,957) |
| Cash and cash equivalents, beginning | 2,616,709 |
| Cash and cash equivalents, ending | \$ 2,358,752 |

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2018

| | <u>Business-type Activities - Enterprise Funds</u> |
|---|--|
| | <u>Water and Sewer</u> |
| Reconciliation of loss from operations to net cash used by operating activities: | |
| Loss from operations | <u>\$ (407,851)</u> |
| Adjustments to reconcile loss from operations to net cash used by operating activities: | |
| Depreciation | \$ 137,906 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (2,528) |
| Decrease in accounts payable | (9,279) |
| Decrease in payroll benefits payable | (854) |
| Decrease in customer deposits payable | (800) |
| Net cash used by operating activities | <u>\$ (283,406)</u> |
| | (Concluded) |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

Notes to the Financial Statements
As of and for the Year Ending December 31, 2018

INTRODUCTION

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements (Continued)

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

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

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

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

C. Cash and Cash Equivalents

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

D. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. As of December 31, 2018, there were no restricted assets.

E. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current fiscal year was \$-0-. Of this amount none was included as part of the cost of capital assets under construction in connection with the district's construction projects.

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

Notes to the Financial Statements (Continued)

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

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

F. Compensated Absences

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

G. Long Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District had no long term obligations as of December 31, 2018.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items as of December 31, 2018.

I. Estimates

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

J. Restricted Net Position

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

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

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

Notes to the Financial Statements (Continued)

K. Receivables and Payables

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

| Property Tax Calendar | |
|--------------------------|-------------------|
| Assessment date | January 1, 2018 |
| Levy date | June 30, 2018 |
| Tax bills mailed | October 15, 2018 |
| Total taxes are due | December 31, 2018 |
| Penalties & interest due | January 31, 2019 |
| Lien date | January 31, 2019 |
| Tax sale | May 15, 2019 |

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

For the year ended December 31, 2018, taxes of 17.28 mills were levied on property with an assessed valuation totaling \$41,322,040 and were dedicated as follows:

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

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

| Taxpayer | Type of Business | Assessed Valuation | % of Total Assessed Valuation | Ad Valorem Tax Revenue for District |
|------------------------------------|---------------------|-----------------------|-------------------------------------|---|
| Perdido Energy Louisiana, LLC | Oil & Gas | \$ 4,580,741 | 11.08% | \$ 79,155 |
| Pintail WI LLC | Oil & Gas | 8,806,834 | 21.31% | 152,182 |
| Texegy Operating Company LLC | Oil & Gas | 6,536,812 | 15.82% | 112,956 |
| Energy Transfer Crude Oil Co., LLC | Oil & Gas | 3,035,160 | 7.34% | 52,448 |
| Total | | \$ 22,959,547 | 55.55% | \$ 396,741 |

2. CASH AND CASH EQUIVALENTS

At December 31, 2018, the District has cash (book balances) totaling \$2,358,752 as follows:

| | | |
|-----------------------|----|-----------|
| Petty cash | \$ | 380 |
| Money market accounts | | 1,287,360 |
| NOW accounts | | 1,071,012 |
| Total | \$ | 2,358,752 |

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

Notes to the Financial Statements (Continued)

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

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At December 31, 2018, the District has \$2,362,707 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$1,862,707 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the district and are therefore properly collateralized.

3. RECEIVABLES

The receivables of \$743,774 at December 31, 2018, are as follows:

| <u>Class of receivable</u> | |
|----------------------------|-------------------|
| Accounts | \$ 47,694 |
| Ad valorem taxes | 694,642 |
| Payroll taxes | 1,438 |
| Total | <u>\$ 743,774</u> |

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

Notes to the Financial Statements (Continued)

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018, for the primary government is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|-----------------|---------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 124,673 | \$ - | \$ - | \$ 124,673 |
| Work in progress | 407,499 | 804,234 | - | 1,211,733 |
| Total capital assets, not being depreciated | <u>\$ 532,172</u> | <u>\$ 804,234</u> | <u>\$ -</u> | <u>\$ 1,336,406</u> |
| Capital assets being depreciated | | | | |
| Vehicles | \$ 145,753 | \$ - | \$ 6,650 | \$ 139,103 |
| Buildings | 63,384 | - | - | 63,384 |
| Furniture | 491 | - | - | 491 |
| Utility plant and improvements | 5,641,144 | - | - | 5,641,144 |
| Machinery and equipment | 360,886 | 62,751 | - | 423,637 |
| Total capital assets being depreciated | <u>\$ 6,211,658</u> | <u>\$ 62,751</u> | <u>\$ 6,650</u> | <u>\$ 6,267,759</u> |
| Less accumulated depreciation for: | | | | |
| Vehicles | \$ 88,249 | \$ 21,183 | \$ 6,650 | \$ 102,782 |
| Buildings | 28,786 | 1,749 | - | 30,535 |
| Furniture | 491 | - | - | 491 |
| Utility plant and improvements | 3,084,829 | 97,530 | - | 3,182,359 |
| Machinery and equipment | 289,457 | 17,444 | - | 306,901 |
| Total accumulated depreciation | <u>\$ 3,491,812</u> | <u>\$ 137,906</u> | <u>\$ 6,650</u> | <u>\$ 3,623,068</u> |
| Total business-type assets being depreciated, net | <u>\$ 2,719,846</u> | <u>\$ (75,155)</u> | <u>\$ -</u> | <u>\$ 2,644,691</u> |

5. CONSTRUCTION COMMITMENTS

The District had active construction projects as of December 31, 2018. The District had the following construction projects. The District is constructing a new administration building for the water system, the Oretta Hwy 27 project is the laying of new waterlines, and improvements to the water treatment plant.

| Project | Spent to Date | Remaining Commitment |
|------------------------------------|---------------|-------------------------|
| Administration Building | \$ 714,060 | \$ 5,000 |
| Oretta Hwy 27 Project | 380,663 | 46,858 |
| Water Treatment Plant Improvements | 117,010 | 11,429 |

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

Notes to the Financial Statements (Concluded)

6. ACCOUNTS AND OTHER PAYABLES

The payables of \$148,769 at December 31, 2018, are as follows:

| | | |
|-------------------------------|----|----------------|
| Accounts | \$ | 29,506 |
| Contracts | | 84,928 |
| Payroll taxes | | 2,859 |
| Pension plan - ad valorem tax | | 24,276 |
| Customer deposits | | 7,200 |
| Total | \$ | <u>148,769</u> |

7. RETIREMENT SYSTEMS

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

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

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

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

OTHER SUPPLEMENTAL SCHEDULES

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

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ending December 31, 2018

The following is a breakdown of commissioner's fees for the year ended December 31, 2018.

| <u>Board Member</u> | <u>Amount</u> |
|---------------------|-----------------|
| Bill White | \$ 720 |
| Delores Franks | 780 |
| Jeanez McLeod | 420 |
| Jerry Cooley | 480 |
| Carroll Johnson | <u>780</u> |
| Total | <u>\$ 3,180</u> |

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

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ending December 31, 2018

Mr. Jerry Cooley, Board President

| <u>Purpose</u> | <u>Amount</u> |
|--|---------------|
| Salary | \$ 480 |
| Benefits - dental insurance | - |
| Benefits - retirement | - |
| Benefits - deferred compensation | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| Other | - |

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ending December 31, 2018

Finding – Financial Statement Audit

Audit Finding No. 2017-1

Blank checks signed prior to payment

Condition: It was noted on several occasions that checks had been signed in advance of being made payable to payees.

Criteria: Checks should never be signed in advance of being made out to payees or approved by management.

Cause and Condition: At times when check signers were going to be out and bills would be due, they signed the checks prior to them being made out to a payee.

Effect of Condition: Violates the internal controls of the District. This could also lead to misappropriation of assets by having blank checks pre-signed.

Recommendation: We recommend that blank checks never be signed in advance of being made out to a payee. All checks should be approved for payment after being made out and appropriate documentation attached.

Date of Initial Occurrence - December 31, 2017

Corrective Action Taken - Yes

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2018

There were no current year audit findings as of December 31, 2018.

Windham & Reed, L.L.C.

Certified Public Accountants

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated May 13, 2019.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



DeRidder, Louisiana
May 13, 2019

Windham & Reed, L.L.C.

Certified Public Accountants

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

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Waterworks District No. 2 of the Parish of Beauregard (Entity) 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, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain 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
Written policies and procedures were obtained and address the functions above.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Written policies and procedures were obtained and address the functions above.
 - c) **Disbursements**, including processing, reviewing, and approving
The District does not have written policies and procedures that address disbursements.
 - d) **Receipts/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 confirmation with outside parties, reconciliation to utility billing after

cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

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

The District does not have written policies and procedures that address contracting.

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

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

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The District does not have written policies and procedures that address ethics.

- 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 written policies and procedures that address debt service.

Board or Finance Committee

2. Obtain and inspect the board/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.

The board meets monthly

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes do not reference or have monthly financial statements attached.

- 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.

Not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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

Board members that do not handle cash, post ledgers or issue checks do review and initial bank reconciliations.

- 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.

Not applicable.

Collections

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

There is only one deposit site where deposits are prepared.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select on collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written

policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Written policies and procedures relating to employee job duties were obtained.

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

Only one cash drawer exists.

- 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 same employee that collects cash also prepares the deposit.

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

The same employee that collects cash also post collections to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The same employee that reconciles cash collections to the general ledger can also collect cash.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees with access to cash are bonded.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Receipts are not sequentially pre-numbered.

- 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).
No exceptions noted.
- e) Trace the actual deposit per the bank statement to the general ledger.
No exceptions noted.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Only one location that processes payments.
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
No exceptions noted.
 - b) At least two employees are involved in processing and approving payments to vendors.
No exceptions noted.
 - 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 that is responsible for processing payments can also add or modify 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 that mails the checks also processes payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is

complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

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.

Disbursement documentation does not include evidence of segregation of duties.

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

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

Obtained a listing of all active credit cards and that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [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.]

No exceptions noted.

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

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were occasions where receipts were not attached to the credit card statement.

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 reimbursement, 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 exceptions noted.
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
No exceptions noted.
 - 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 exceptions noted.
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
No exceptions noted.

Contracts – Not Applicable

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. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - 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).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - 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.

Payroll and Personnel – Not Applicable

16. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one 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.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulate leave records, and agree the pay rates to the employee/officials’ authorized pay rates in the employee/officials’ personnel files.
19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics – Not Applicable

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

Debt Service – Not Applicable

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

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

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.

Other – Not Applicable

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

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

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

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
May 13, 2019