

**SOUTHEAST WATERWORKS  
DISTRICT NUMBER 2**

Abbeville, Louisiana

Financial Report

Year Ended December 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Southeast Waterworks District  
Number 2  
Abbeville, Louisiana

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of Southeast Waterworks District Number 2 (District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedule of number of utility customers and water rates, schedule of insurance in force, and comparative financial statements but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***

Certified Public Accountants

Abbeville, Louisiana  
April 11, 2024

**BASIC FINANCIAL STATEMENTS**

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Statement of Net Position  
December 31, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 895,382
Interest-bearing deposits	527,366
Accounts receivables, net of allowance for uncollectibles	135,333
Accrued interest receivable	695
Prepaid expenses	11,215
Total current assets	1,569,991
Restricted assets:	
Revenue bond sinking account	33,920
Revenue bond reserve account	94,295
Revenue bond contingency account	47,497
Revenue bond short lived asset account	289,855
Revenue bond short lived asset investments	34,789
Customer deposits	33,150
Total restricted assets	533,506
Capital assets, net	6,181,748
Easements	10,760
Total assets	8,296,005

LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	10,565
Accrued liabilities	6,430
Other liabilities	6,417
Total current liabilities (payable from current assets)	23,412
Current liabilities (payable from restricted assets):	
Customer deposits	33,150
Accrued interest on bonds	8,475
Current portion of long term debt	125,295
Total current liabilities (payable from restricted assets)	166,920
Total current liabilities	190,332
Noncurrent liabilities:	
Revenue bonds payable	4,145,093
Total liabilities	4,335,425

NET POSITION

Net investment in capital assets	2,036,655
Restricted for equipment acquisition	372,141
Unrestricted	1,551,784
Total net position	\$ 3,960,580

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2023

Operating revenues:	
Charges for services -	
Water sales	\$ 1,176,743
Penalties	22,238
Reconnection fees	15,400
Meter fees	21,230
Miscellaneous income	9,904
Total operating revenues	<u>1,245,515</u>
Operating expenses:	
Salaries	216,572
Payroll taxes	15,500
Group and life insurance	49,805
Retirement	15,646
Insurance	35,537
Supplies	17,642
Telephone and utilities	49,720
Chemicals	76,537
Meter installation and reading	17,500
Depreciation	281,137
Professional fees	15,495
Maintenance and repairs	50,129
Automobile expense	15,388
Printing, postage and publications	13,974
Bank charges	1,430
Other	26,236
Total operating expenses	<u>898,248</u>
Operating income	<u>347,267</u>
Nonoperating revenues (expenses):	
Interest income	40,345
Intergovernmental income	7,850
Interest expense	<u>(175,640)</u>
Total nonoperating revenues (expenses)	<u>(127,445)</u>
Change in net position	219,822
Net position, beginning	<u>3,740,758</u>
Net position, ending	<u>\$ 3,960,580</u>

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Statement of Cash Flows  
Year Ended December 31, 2023

Cash flows from operating activities:	
Receipts from customers	\$ 1,230,473
Payments to suppliers	(319,597)
Payments to employees and related costs	(297,063)
Miscellaneous income	9,904
Net cash provided by operating activities	<u>623,717</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(603,342)
Interest paid on long-term debt	(179,811)
Capital grants	7,850
Acquisition and construction of capital assets	<u>(14,255)</u>
Net cash used by capital and related financing activities	<u>(789,558)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	217,156
Proceeds of interest-bearing deposits with maturity in excess of ninety days	288,280
Purchase of interest-bearing deposits with maturity in excess of ninety days	(527,366)
Interest income	40,345
Net cash provided by investing activities	<u>18,415</u>
Net change in cash and cash equivalents	(147,426)
Cash and cash equivalents, beginning of period	<u>1,541,525</u>
Cash and cash equivalents, end of period	<u>\$ 1,394,099</u>

(continued)

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Statement of Cash Flows (Continued)  
Year Ended December 31, 2023

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

Operating income	\$ 347,267
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	281,137
Provision for bad debts	3,682
(Increase) decrease in operating assets - Receivables, gross	(8,820)
Increase (decrease) in operating liabilities - Accounts payable	(9)
Accrued liabilities	460
Net cash provided by operating activities	<u>\$ 623,717</u>

Cash and cash equivalents, end of period -

Current	\$ 895,382
Restricted	
Revenue bond sinking account	33,920
Revenue bond reserve account	94,295
Revenue bond contingency account	47,497
Revenue bond short lived asset account	289,855
Customer deposits	33,150
	<u>\$ 1,394,099</u>

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of Southeast Waterworks District Number 2 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District’s accounting policies are described below.

A. Financial Reporting Entity

The District was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of Vermilion Parish. The District is governed by a board of commissioners composed of six members appointed by the Vermilion Parish Police Jury.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

B. Basis of Presentation

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

C. Fund Accounting

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for 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. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

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

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. They are stated at cost, which approximates market.

Investments

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized costs, which approximate fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts. The allowance amount at December 31, 2023 is \$ \$70,727.

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated acquisition cost at the date of donation. The District maintains a threshold level of \$2,500 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. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Utility System and Improvements	25-50 years
Equipment	5-10 years

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Equity Classifications

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

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District’s bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

F. Revenues and Expenses

Operating Revenues and Expenses

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

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

(2) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

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

Bank balances	<u>\$ 1,924,041</u>
Deposits are secured as follows:	
Insured deposits	\$ 500,000
Uninsured and collateral held by the pledging bank not in the District's name	<u>1,424,041</u>
Total	<u>\$ 1,924,041</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(3) Investments

Under state law, the District may invest in direct United States Treasury obligations, bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies, provided such obligations are backed by the full faith and credit of the United States of America, bonds, debentures, notes, or other indebtedness issued by the state of Louisiana or any of its political subdivisions or by a state of the United States of America other than Louisiana or any such state's political subdivisions.

The District has investments as follows:

Description	Reported Amount/ Market Value
Restricted Government Related	<u>\$ 34,789</u>

The District has adopted a conservative investment policy for other investments. This policy's objective is to generate risk-adjusted returns with investments in government agency bonds with an emphasis on a 1-5 year term area.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's debt type investments to this risk, using the segmented time distribution model is as follows:

Description	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Cash and cash equivalents- Restricted				
Money market (Rated AAAM)	\$ 48	\$ 48	\$ -	\$ -
Investments- Restricted				
Government Related	\$ 34,789	\$ 34,789	\$ -	\$ -

Credit risk is managed by restricting investments to those authorized by R.S. 33:2955.

Concentrations: The District's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity. Securities from issuers totaling five percent or more of a portfolio are as follows:

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

	<u>Rating</u>	<u>Percentage</u>
Government related:		
New Jersey Economic Development Authority	AA	100.00%

Custodial credit risk: This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District does not have custodial credit risk policies for investments.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are observable inputs such as quoted prices in active markets for identical assets; level 2 inputs are inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; level 3 inputs are unobservable inputs where there is little or no market data, which require the District to develop its own assumptions.

The District has the following recurring fair value measurements:

Asset Class	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents - Restricted				
Money market	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>
Investments- Restricted				
Government Related	<u>\$ 34,789</u>	<u>\$ -</u>	<u>\$ 34,789</u>	<u>\$ -</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(4) Accounts Receivables

Accounts receivables consist of the following:

Accounts receivable	\$ 154,204
Unbilled water	<u>51,856</u>
	206,060
Less allowance for doubtful accounts	<u>(70,727)</u>
Total	<u>\$ 135,333</u>

The aging of the accounts receivable is as follows:

Current	\$ 73,810
31 - 60 days	8,561
61 - 90 days	1,106
Over 90 days	<u>70,727</u>
Total	<u>\$ 154,204</u>

(5) Restricted Assets

Restricted assets consisted of the following:

Revenue bond sinking account	\$ 33,920
Revenue bond reserve account	94,295
Revenue bond contingency account	47,497
Revenue bond short lived asset account	289,855
Revenue bond short lived asset investments	34,789
Customer deposits	<u>33,150</u>
Total restricted assets	<u>\$ 533,506</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(6) Capital Assets

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 17,477	\$ -	\$ -	\$ 17,477
Capital assets being depreciated:				
Buildings	182,215	-	-	182,215
Equipment	117,314	-	-	117,314
Utility system improvements	<u>10,135,515</u>	<u>14,255</u>	<u>-</u>	<u>10,149,770</u>
Total capital assets	<u>10,452,521</u>	<u>14,255</u>	<u>-</u>	<u>10,466,776</u>
Less accumulated depreciation	<u>4,003,891</u>	<u>281,137</u>	<u>-</u>	<u>4,285,028</u>
Capital assets, net	<u>\$6,448,630</u>	<u>\$ (266,882)</u>	<u>\$ -</u>	<u>\$6,181,748</u>

Total depreciation expense for the year was \$281,137.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(7) Long-Term Debt

The following changes occurred in long-term debt:

	Beginning Balance	Additions	Retirements	Ending Balance
Direct Placement Revenue bonds	\$ 4,873,730	\$ -	\$ (603,342)	\$ 4,270,388

Long-term debt payable is composed of the following issues:

	Issue Date	Maturity Date	Interest Rates	Balance Outstanding	Due Within One Year
Direct Placement Revenue Bonds					
Water Revenue Bonds Series 1995	5/12/1995	3/1/2035	4.50%	\$ 349,959	24,465
Water Revenue Bonds Series 1995	5/12/1995	3/1/2035	4.50%	35,564	2,471
Water Revenue Bonds Series 1998	3/16/1998	3/1/2038	4.88%	194,396	9,373
Water Revenue Bonds Series 2007	7/20/2007	7/1/2047	4.25%	2,122,197	53,649
Water Revenue Bonds Series 2007	7/20/2007	7/1/2047	4.25%	181,264	4,525
Water Revenue Bonds Series 2013	8/14/2013	7/1/2053	2.75%	1,387,008	30,812
Total				\$ 4,270,388	\$ 125,295

In the event that the Water Revenue Bonds are in default, the bonding agency has the right to compel the performance of all duties, including the fixing, charging, and collecting of rentals, fees or other charges for the use of the System. The Bond owner may also appoint an agent to take possession of the System to hold, operate, maintain, manage and control the System in the name of the bond owner. This agent shall collect and receive all fees, rentals, and other revenues, maintain and operate the System in a manner to compensate the bond issuer for the amount owed, until the bond is repaid in full.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

The annual requirements to amortize all debt outstanding is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 125,295	160,595	285,890
2025	130,379	155,511	285,890
2026	135,676	150,214	285,890
2027	141,195	144,695	285,890
2028	146,947	138,944	285,891
2029 to 2033	829,859	599,593	1,429,452
2034 to 2038	828,856	428,974	1,257,830
2039 to 2043	845,317	272,258	1,117,575
2044 to 2048	792,039	101,054	893,093
2049 to 2053	<u>294,825</u>	<u>19,299</u>	<u>314,124</u>
 Total	 <u>\$ 4,270,388</u>	 <u>\$ 2,171,137</u>	 <u>\$ 6,441,525</u>

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

Under the terms of the various bond indentures on outstanding Water Revenue Bonds, all income and revenue of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds and are to be deposited in funds in the following order of priority and for the following express purposes:

All revenue must be deposited into a “Water Revenue Fund” to be first used for the payment of all reasonable and necessary expenses of operating and maintaining the System.

Waterworks Revenue Bond and Interest Sinking Fund - An amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due is required to be set aside into this fund and may be used only for such purpose.

Waterworks Reserve Fund - The District is required to set aside \$1,191 monthly until \$285,890 has been accumulated.

Waterworks Depreciation and Contingency Fund - The District is required to deposit \$1,191 monthly until \$285,890 has been accumulated in the Waterworks Reserve Fund, then deposits increase to \$2,383 monthly.

Waterworks Short-lived Assets Fund- The District is required to deposit \$6,303 per month into this fund. Monies in this fund shall be used to pay for the maintenance and replacement of short-lived assets of the system.

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

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

All required transfers were made for the year ended December 31, 2023.

(9) Retirement Commitments

All full-time employees participate in a SEP-IRA defined contribution plan after six months of service. The District contributes 7.5 percent of each participant's gross pay. All amounts are vested immediately, and the plan does not allow employee contributions. Total contributions were \$15,646.

(10) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

(11) Pending Litigation

The District is subject to various lawsuits and claims, many of which arise in the normal course of business. Although their outcome is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Notes to Basic Financial Statements

(12) Compensation of Board Members

The following is a list of the commissioners and compensation paid.

<u>Commissioner</u>	<u>Term expiration date</u>	<u>Compensation</u>
Clint Dugas 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	April 19, 2025	\$ 975
Sandra C Richard 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	March 7, 2026	450
Kelly Richard 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	February 5, 2025	975
Susan Wilhelm 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	August 8, 2028	750
Byron Perry 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	May 4, 2023	525
Roland Brailey 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	August 4, 2028	-
Shelby Bernard 417 Trahan Street, Abbeville, LA 70510 (337) 892-1072	March 2, 2025	<u>825</u>
		<u>\$ 4,500</u>

Clint Dugas serves as the Board Chairman. No compensation benefits, or other payments, have been made to him beyond those listed above.

## **OTHER INFORMATION**

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Schedule of Number of Utility Customers and Water Rates  
December 31, 2023

Records maintained by the Southeast Waterworks District Number 2 indicated the following number of customers were being serviced during the month of December 31, 2023:

Residential	2,218
Commercial	<u>74</u>
	<u><u>2,292</u></u>

The water rates of the District are as follows:

Residential rates:

\$17.50 per month for the first 2,000 gallons, then  
\$ 6.75 per 1,000 gallons over 2,000 gallons

Commercial rates:

\$52.50 per month for the first 5,000 gallons, then  
\$ 8.75 per 1,000 gallons over 5,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Schedule of Insurance in Force  
December 31, 2023

Coverage Provided For	Limits of Coverage (in dollars)	Expiration Date
Workers Compensation	Statutory	07/01/24
Employee Fidelity Bond		10/03/24
Board President	\$ 310,000	
Vice-President	\$ 310,000	
Secretary	\$ 310,000	
Office Manager	\$ 310,000	
Plant Manager	\$ 310,000	
Office Secretary	\$ 310,000	
Automobile Liability (Each Accident)	\$ 1,000,000	07/01/24
General Premises Liability		07/01/24
Each Occurrence	\$ 1,000,000	
General Aggregate	\$ 3,000,000	
Blanket Building and Contents	\$ 1,379,683	07/01/24
Commercial Flood Coverage		07/01/24
Buildings	\$ 404,100	
Contents	\$ 500,000	

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Comparative Statements of Net Position  
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 895,382	\$ 753,799
Interest-bearing deposits	527,366	288,280
Accounts receivables, net of allowance for uncollectibles	135,333	128,645
Accrued interest receivable	695	695
Prepaid expenses	11,215	11,215
Total current assets	<u>1,569,991</u>	<u>1,182,634</u>
Restricted assets		
Revenue bond sinking account	33,920	33,916
Revenue bond reserve account	94,295	93,472
Revenue bond contingency account	47,497	50,832
Revenue bond short lived asset account	289,855	233,107
Revenue bond short lived asset investment	34,789	251,945
LDH water depreciation and contingency account	-	203,672
LDH debt service account	-	41,251
LDH reserve account	-	99,876
Customer deposits	33,150	31,600
Total restricted assets	<u>533,506</u>	<u>1,039,671</u>
Capital assets, net	<u>6,181,748</u>	<u>6,448,630</u>
Easements	<u>10,760</u>	<u>10,760</u>
Total assets	<u>8,296,005</u>	<u>8,681,695</u>
 LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	10,565	10,574
Accrued liabilities	6,430	5,970
Other Liabilities	6,417	6,417
Total current liabilities (payable from current assets)	<u>23,412</u>	<u>22,961</u>
Current liabilities (payable from restricted assets):		
Customer deposits	33,150	31,600
Accrued interest on bonds	8,475	12,646
Current portion of long term debt	125,295	145,408
Total current liabilities (payable from restricted assets)	<u>166,920</u>	<u>189,654</u>
Total current liabilities	<u>190,332</u>	<u>212,615</u>
Noncurrent liabilities:		
Revenue bonds payable	<u>4,145,093</u>	<u>4,728,322</u>
Total liabilities	<u>4,335,425</u>	<u>4,940,937</u>
 NET POSITION		
Net investment in capital assets	2,036,655	1,720,308
Restricted for debt service	-	110,461
Restricted for equipment acquisition	372,141	739,556
Unrestricted	<u>1,551,784</u>	<u>1,170,433</u>
Total net position	<u>\$ 3,960,580</u>	<u>\$ 3,740,758</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services -		
Water sales	\$ 1,176,743	\$ 1,070,790
Penalties	22,238	20,270
Reconnection fees	15,400	24,720
Meter fees	21,230	33,100
Miscellaneous income	9,904	40,927
Total operating revenues	<u>1,245,515</u>	<u>1,189,807</u>
Operating expenses:		
Salaries	216,572	202,185
Payroll taxes	15,500	14,682
Group and life insurance	49,805	43,960
Retirement	15,646	11,394
Insurance	35,537	29,929
Supplies	17,642	10,718
Telephone and utilities	49,720	55,050
Chemicals	76,537	67,975
Meter installation and reading	17,500	27,475
Depreciation	281,137	305,240
Professional fees	15,495	19,915
Maintenance and repairs	50,129	64,339
Automobile expense	15,388	20,202
Printing, postage and publications	13,974	11,354
Bank charges	1,430	1,350
Other	26,236	39,654
Total operating expenses	<u>898,248</u>	<u>925,422</u>
Operating income	<u>347,267</u>	<u>264,385</u>
Nonoperating revenues (expenses):		
Interest income	40,345	4,654
Intergovernmental income	7,850	-
Interest expense	(175,640)	(181,920)
Total nonoperating revenues (expenses)	<u>(127,445)</u>	<u>(177,266)</u>
Change in net position	219,822	87,119
Net position, beginning	<u>3,740,758</u>	<u>3,653,639</u>
Net position, ending	<u>\$ 3,960,580</u>	<u>\$ 3,740,758</u>

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

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

Board of Commissioners  
Southeast Waterworks District  
Number 2  
Abbeville, 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 Southeast Waterworks District Number 2 (District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 11, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *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 current and prior year audit findings and management’s corrective action plan as items 2023-001 and 2023-002, which we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

**District’s Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of current and prior year audit findings and management’s corrective action plan. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
April 11, 2024

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
Abbeville, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended December 31, 2023

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2023-001 Inadequate Segregation of Accounting Functions

CONDITION: The District did not have adequate segregation of functions within the accounting system.

CRITERIA: Committee of Sponsoring Organizations (COSO) *Internal Control Integrated Framework* and the Louisiana Legislative Auditor's *Government Auditing Guide*.

CAUSE: The District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners concurs with the audit finding. Due to size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are given to segregate duties where feasible. In an effort to establish more sound controls the Board of Commissioners monitors activity and balances in all fund accounts.

SOUTHEAST WATERWORKS DISTRICT NO. 2  
Abbeville, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended December 31, 2023

2023-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

CRITERIA: The District's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statement, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receive annual training related to their job duties. Additionally, we carefully review the financial statements, related notes and all proposed journal entries. All questions are adequately answered by our Auditors to allow us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk cause by this finding.

B. Compliance

There are no compliance findings to the report.

SOUTHEAST WATERWORKS DISTRICT NO. 2  
Abbeville, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended December 31, 2023

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

CONDITION: The District did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2023-001.

2022-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2023-002

B. Compliance

There were no compliance findings to the report.

**Southeast Waterworks District No. 2**  
Vermilion Parish, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period January 1, 2023 through December 31, 2023

# KOLDER, SLAVEN & COMPANY, LLC

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

To the Board of Commissioners  
Southeast Waterworks District No. 2  
and the Louisiana Legislative Auditor:

We have performed the procedures 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 period January 1, 2023 through December 31, 2023. Southeast Waterworks District No. 2 (the District) management is responsible for those C/C areas identified in the SAUPs.

The District 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 period January 1, 2023 through December 31, 2023. 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 whether 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.
  - b) ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (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.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **Credit Cards (and debit cards, fuel cards, purchase cards)**, 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).
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (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.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

### ***Board or Finance Committee***

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe whether 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 all special revenue funds. *Alternatively, for those entities reporting on the not-for-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.*
  - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
  - d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

### ***Bank Reconciliations***

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3. Obtain a listing of entity 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 logged);
  - b) Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month that the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

### ***Collections (excluding electronic funds transfers)***

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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).
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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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
  - a) Employees responsible for cash collections do not share cash drawers/registers;
  - b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
  - 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, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedures #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

***Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)***

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- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
  - 9. For each location selected under procedure #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, then 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 or making the purchase;
    - b) At least two employees are involved in processing and approving payments to vendors;
    - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
    - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
    - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- [Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
- 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 whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and
    - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
  - 11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

### ***Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)***

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12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
13. 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 whether 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) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #13 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 (e.g. each card should have 10 transactions subject to inspection). 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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15. 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 and 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, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov));
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures (procedure #1g); and
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

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16. 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. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- a) Observe whether 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 whether 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 and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment, the documented approval); and
- 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***

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17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.);
  - b) Observe whether 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; and
  - d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
20. 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 any associated forms have been filed, by required deadlines.

### ***Ethics***

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21. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17 obtain ethics documentation from management, and:
  - a) Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
  - b) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

### ***Debt Service***

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23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
24. 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).

### ***Fraud Notice***

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25. 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 as required by R.S. 24:523.
26. 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.

### ***Information Technology Disaster Recovery/Business Continuity***

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27. 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - 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.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.
29. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
  - a) Hired before June 9, 2020 – completed the training; and
  - b) Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment

### ***Prevention of Sexual Harassment***

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30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S 42:343.
31. Observe that 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).
32. 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 that the report 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;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

### ***Findings:***

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No exceptions were found as a result of procedures list above with the exception of:

#### **Written Policies & Procedures:**

*Written policies and procedures do not include periodic testing/verification that backups can be restored.*

*Written policies and procedures do not include annual reporting on sexual harassment.*

#### **Collections (excluding electronic fund transfers):**

*Employees responsible for collecting cash share a register/drawer.*

*Employees responsible for collecting cash are responsible for preparing/making bank deposits.*

*Employees responsible for collecting cash are responsible for posting collection entries to the general ledger or subsidiary ledger.*

*Employees responsible for collecting cash are responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers.*

*One deposit was not made within one business day of collection.*

#### **Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards):**

*One credit card statement was not approved and signed by someone who is not the authorized card holder.*

#### **Information Technology Disaster Recovery/Business Continuity:**

*We performed the procedure and discussed the results with management.*

*Management's Response:*

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Management agrees with the exceptions noted in the report and is working to correct the items identified.

We were engaged by the District 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 the District 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.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
April 11, 2024