

**NATCHITOCHEs PARISH
WATERWORKS DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2021**

Natchitoches Parish Waterworks District No. 2
Financial Report
December 31, 2021

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		
Management's Discussion & Analysis	-	1-3
Independent Auditor's Report	-	4-6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	A	9-10
Statement of Revenues, Expenditures and Changes in Net Position	B	11
Statement of Cash Flows	C	12
Notes to Financial Statements	-	14-22
Other Required Supplementary Information		
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	D	24
Other Reports/Schedules		
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>	E	26-27
Schedule of Audit Results	F	28
Independent Auditor's Report on Applying Statewide Agreed-Upon Procedures	G	29-37
Management's Response to Exceptions	H	38

NATCHITOCHEES PARISH WATERWORKS DISTRICT NO. 2

**1665 Highway 119
Natchez, Louisiana 71456**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Natchitoches Parish Waterworks District No. 2 (hereafter referred to as the District) annual financial report presents an overview and analysis of the District's financial activities for the year ended December 31, 2021. Certain comparative information with the previous year is presented to provide an overview of the District's operations.

Financial Highlights

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board's (GASB) accounting principles. The Statement of Net Position (pages 8-9) includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (page 10). This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its water service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (page 11). The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Natchitoches Parish Waterworks District No. 2

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

A summary of the District's basic financial statements is as follows:

Summary of Statement of Net Position

	<u>2021</u>	<u>2020</u>
ASSETS:		
Assets	\$2,252,447	\$2,462,517
Capital Assets, Net of Accumulated Depreciation	<u>4,699,136</u>	<u>5,126,611</u>
Total Assets	<u>\$6,951,583</u>	<u>\$7,589,128</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 648,093	\$ 602,027
Long-Term Debt	<u>4,180,800</u>	<u>4,922,096</u>
Total Liabilities	<u>\$4,828,893</u>	<u>\$5,524,123</u>
NET POSITION:		
Net Investment in Capital Assets Restricted for Debt Services	\$ 159,136	\$ (88,389)
Unrestricted	<u>994,114</u>	<u>1,188,391</u>
Total Net Position	<u>\$2,122,690</u>	<u>\$2,065,05</u>

Summary of Statement of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>
REVENUES:		
Operating Revenues	\$1,427,666	\$1,375,514
Insurance Proceeds	179,000	0
Investment Income	<u>8,359</u>	<u>38,514</u>
Total Revenues	<u>\$1,615,025</u>	<u>\$1,414,028</u>
EXPENSES:		
Operating Expenses	\$1,257,633	\$1,190,594
Cost of Issuance	129,346	0
Interest	<u>170,361</u>	<u>156,664</u>
Total Expenses	<u>\$1,557,340</u>	<u>\$1,347,258</u>
Change in Net Position	<u>\$ 57,685</u>	<u>\$ 66,770</u>

Sources of Revenue

Charges for water services totaled \$1,427,666 or 88% of total revenue of the District for the year ended December 31, 2021.

Expenses

The majority of the District's total operating expenses for the year ended December 31, 2021 was for payroll and related costs and depreciation expense. Payroll and related costs totaled \$363,788 which is 23% of total operating expenses. Depreciation expense totaled \$451,699 which is 29% of total operating expenses.

Capital Assets

The District's capital assets consist of the distribution system and related equipment, along with the land.

Long-Term Debt

The District issued bonds for the purpose of constructing and maintaining the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

Economic Factors

The District's major revenue source is from water sales.

Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at 1665 Hwy 119, Natchez, LA 71456.

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
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INDEPENDENT AUDITOR'S REPORT

Mr. Henderson Howard, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and major fund of the Natchitoches Parish Waterworks District No. 2 (District), a component unit of the Natchitoches Parish Government, as of and for the year ended December 31, 2021, 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 and major fund of the District as of December 31, 2021, and the respective changes in financial position 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 and the *Louisiana Governmental Audit Guide*. 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 related 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 these 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 District's ability to continue as a going concern for twelve months beyond the financial statements 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 opinion. 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material 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 June 24, 2022, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 24, 2022, on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 24, 2022

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2021

ASSETS:

Current Assets-	
Cash & Cash Equivalents	\$ 28,282
Investments	1,129,562
Accounts Receivable	97,437
Prepaid Expenses	<u>2,352</u>
Total Current Assets	\$ <u>1,257,633</u>
Restricted Assets-	
Cash & Cash Equivalents	\$ <u>994,114</u>
Capital Assets-	
Land & Improvements	\$ 18,721
Buildings & Improvements	397,645
Water Distribution System	10,436,203
Furniture, Machinery & Equipment	107,886
Automobiles	158,228
Accumulated Depreciation	<u>(6,419,547)</u>
Total Capital Assets	\$ <u>4,699,136</u>
Other Assets-	
Deposits	\$ <u>700</u>
Total Assets	\$ <u>6,951,583</u>

LIABILITIES & NET POSITION:

Current Liabilities-	
Accounts Payable & Accruals	\$ <u>37,319</u>
Liabilities Payable from Restricted Assets-	
Customer Deposits	\$ 190,774
Current Portion of Long-Term Debt	<u>420,000</u>
Total Payable from Restricted Assets	\$ <u>610,774</u>

Continued on next page.

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2021

Non-Current Liabilities-	
Compensated Absences	\$ 60,800
Long-Term Debt, net of current portion	<u>4,120,000</u>
Total Non-Current Liabilities	<u>\$4,180,800</u>
Total Liabilities	<u>\$4,828,893</u>
Net Position-	
Net Investment in Capital Assets	\$ 159,136
Restricted for Debt Service	<u>1,963,454</u>
Total Net Position	<u>\$2,122,690</u>

See independent auditors' report and notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund
For the Year Ended December 31, 2021

OPERATING REVENUES:	
Charges for Services	\$1,370,152
Connection Fees	24,925
Late Fees	26,840
Miscellaneous	<u>5,749</u>
Total Operating Revenues	<u>\$1,427,666</u>
OPERATING EXPENSES:	
Administrative Services	\$ 2,984
Depreciation	451,699
Employee Benefits	64,802
Fuel & Gas	21,917
Insurance & Bonds	66,467
Legal & Accounting	19,006
Materials & Supplies	27,247
Miscellaneous	8,311
Office Supplies & Other	34,577
Salaries	340,282
Payroll Taxes	23,506
Repairs & Maintenance	108,813
Telephone	15,784
Utilities	<u>72,238</u>
Total Operating Expenses	<u>\$1,257,633</u>
Operating Income	<u>\$ 170,033</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 8,359
Insurance Proceeds	179,000
Cost of Issuance	(129,346)
Loss on Investments	(12,110)
Interest Expense	<u>(158,251)</u>
Total Non-operating Revenues (Expenses)	<u>\$ (112,348)</u>
Change in Net Position	\$ 57,685
Net Position-Beginning of Year	<u>2,065,005</u>
Net Position-End of Year	<u>\$2,122,690</u>

See independent auditors' report and notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,423,572
Cash Refunds from Customer Deposits	(13,706)
Cash Payments to Suppliers	(476,029)
Cash Payments to Employees	<u>(336,577)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>597,260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds of Capital Debt	\$ 4,935,000
Principal Paid on Capital Debt	(5,610,000)
Interest Paid on Capital Debt	(158,251)
Acquisition and Construction of Capital Assets	(24,224)
Proceeds of Insurance	179,000
Cost of Issuance	<u>(129,346)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(807,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Gain (Loss) on Investments	\$ 9,898
Interest Income	<u>8,359</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>18,257</u>
Net Increase in Cash and Cash Equivalents	\$ (192,304)
Cash and Cash Equivalents-Beginning of Year	<u>1,214,700</u>
Cash and Cash Equivalents-End of Year	\$ <u>1,022,396</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ <u>170,033</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	\$ 451,699
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(4,094)
(Increase) Decrease in Prepaid Insurance	(149)
Increase (Decrease) in Accounts Payable	(10,228)
Increase (Decrease) in Customer Deposits	(13,706)
Increase (Decrease) in Other Liabilities	<u>3,705</u>
Total Adjustments	\$ <u>427,227</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>597,260</u>
Reconciliation of Cash & Cash Equivalents:	
Cash	\$ 28,282
Restricted Cash	<u>994,114</u>
Total Cash and Cash Equivalents	\$ <u>1,022,396</u>

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

INTRODUCTION

The Natchitoches Parish Waterworks District No. 2 was created by an ordinance of the Natchitoches Parish Government (formerly, Natchitoches Parish Police Jury) on April 10, 1963. The District is a political subdivision of the Natchitoches Parish Government, whose president and council members are elected officials. Of the District's eight Commissioners, six are appointed by the Natchitoches Parish Government and two are appointed by the Village of Natchez.

The District accounts for the operations and provisions of water services to the residents and businesses within the boundaries of the District as described in Louisiana Revised Statute Section 33:3381 et seq. The number of customers at December 31, 2021 totaled 2,794.

1. Summary of Significant Accounting Policies:

A. Basis of Presentation-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity-

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Natchitoches Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

Because the Natchitoches Parish Government appoints 75% of the organization's governing body, and the ability of the Natchitoches Parish Government to impose its will on the District, the District was determined to be a component unit of the Natchitoches Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Natchitoches Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting-

The District uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Natchitoches Parish Waterworks District No. 2, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

E. Cash and Cash Equivalents-

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

F. Investments-

Investments are limited by R. S. 33:2955 and Natchitoches Parish Waterworks District No. 2's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments.

G. Compensated Absences-

Full-time employees of the District earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next, however, sick leave may be accumulated up to a maximum of 120 days at a rate of 1 day per month. Upon termination, accumulated sick leave is paid to the employee. Compensated Absences at December 31, 2021 was \$60,800.

H. Capital Assets-

The capital assets of the Natchitoches Parish Waterworks District No. 2 enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for vehicles, and 5 to 10 years for machinery and equipment.

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

J. Net Position-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

- c. Unrestricted net position - All other net resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expenses.

K. Receivables-

All receivables are reported at their gross value, and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

2. Cash, Cash Equivalents, and Custodial Credit Risk:

The cash and cash equivalents of the District 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 District will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal 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.

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. The District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

At December 31, 2021, the District had cash, cash equivalents and investments (collected bank balances) totaling \$1,036,070. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at December 31, 2021, were secured as follows:

Cash and Cash Equivalents	\$1,036,070
FDIC	(389,430)
Pledged Securities	<u>(646,640)</u>
Unsecured	<u>\$ 0</u>

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

3. Investments, Interest Rate Risk, and Credit Risk:

The investments of the Natchitoches Parish Waterworks District No. 2 are subject to the following risk:

Interest Rate Risk: This 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 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. However, as a means of offsetting exposure to interest rate risk, the District diversifies its investments by security type and institution.

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

The District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U.S. Treasury and U.S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

At December 31, 2021, the District had \$1,129,562 in investments. These investments were fully secured by U.S. Government securities.

4. Revenue/Accounts Receivable:

At year-end, the District had \$97,437 in customer receivables.

5. Accounts Payable & Accruals:

At year end, the District had \$37,319 in accounts payable and accruals which consists of \$30,963 vendor payments, \$3,783 interest payable, and \$2,572 payroll and sales taxes.

6. Restricted Assets:

At December 31, 2021, Natchitoches Parish Waterworks District No. 2 had the following restricted assets:

Cash and Cash Equivalents	<u>\$994,114</u>
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Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2021, is as follows:

<u>Governmental Activities</u>	<u>Balance 01-01-2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-2021</u>
Capital Assets Not Depreciated:				
Land	\$ <u>18,721</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>18,721</u>
Capital Assets Depreciated:				
Distribution System	\$10,424,136	\$ 12,067	\$0	\$10,436,203
Building & Building Improvements	397,645	0	0	397,645
Vehicles	158,228	0	0	158,228
Furniture, Machinery & Equipment	<u>95,729</u>	<u>12,157</u>	<u>0</u>	<u>107,886</u>
Total Capital Assets, Depreciated	<u>\$11,075,738</u>	<u>\$ 24,224</u>	<u>\$0</u>	<u>\$11,099,962</u>
Total Capital Assets	<u>\$11,094,459</u>	<u>\$ 24,224</u>	<u>\$0</u>	<u>\$11,118,683</u>
Less Accumulated Depreciation:				
Plant & Distribution System	\$ 5,616,884	\$ 427,368	\$0	\$ 6,044,252
Building & Building Improvements	154,472	10,487	0	164,959
Vehicles	116,381	9,457	0	125,838
Furniture, Machinery & Equipment	<u>80,111</u>	<u>4,387</u>	<u>0</u>	<u>84,498</u>
Total Accumulated Depreciation	<u>\$ 5,967,848</u>	<u>\$ 451,699</u>	<u>\$0</u>	<u>\$ 6,419,547</u>
Net Capital Assets	<u>\$ 5,126,611</u>	<u>\$(427,475)</u>	<u>\$0</u>	<u>\$ 4,699,136</u>

Depreciation expense of \$451,699 was recorded for the year ended December 31, 2021.

8. Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended December 31, 2021.

	<u>Balance 12-31-2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-2021</u>
Compensated Absences	\$ 57,096	\$ 10,704	\$ 0	\$ 67,800
Revenue Bond Series 2016 A	3,000,000	0	3,000,000	0
Revenue Bond Series 2016 B	2,215,000	0	2,215,000	0
Refunding Bond Series 2021	<u>0</u>	<u>4,935,000</u>	<u>395,000</u>	<u>4,540,000</u>
Total	<u>\$5,272,096</u>	<u>\$4,945,703</u>	<u>\$5,610,000</u>	<u>\$4,607,800</u>
	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	
Refunding Bond Series 2021	Variable: .5 - 2.0%	2033	<u>\$4,935,000</u>	

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

The annual requirements to amortize all debt outstanding as of December 31, 2021 are as follows:

<u>Year Ending December 31</u>	<u>Long-Term Debt Principal</u>	<u>Long-Term Debt Interest</u>	<u>Total</u>
2022	\$ 420,000	\$ 22,700	\$ 442,700
2023	425,000	26,780	451,780
2024	435,000	27,713	462,713
2025	440,000	32,600	472,600
2026	445,000	28,200	473,200
2027-2031	1,775,000	115,210	1,890,210
2032-2033	<u>600,000</u>	<u>18,000</u>	<u>618,000</u>
Total	<u>\$4,540,000</u>	<u>\$271,203</u>	<u>\$4,811,203</u>

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and sufficient funds are to be set aside into the following special funds:

As pertains to Revenue Refunding Bond Series 2021:

- a. From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b. Each month, there will be set aside into a fund called the "Debt Service Fund" an amount constituting 1/12 of the total principal payment and 1/6 of the semi-annual interest payment maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

9. Post-Employment Benefits:

The District does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

10. Leases:

The Natchitoches Parish Waterworks District No. 2 was not obligated under any non-cancellable capital or operating lease commitments at December 31, 2021.

11. Pension Plan:

All employees of the Natchitoches Parish Waterworks District No. 2 are covered under the Social Security System.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

12. Schedule of Compensation of Board Members:

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount Paid</u>
Henderson Howard	12	\$ 720
Ted Duggan	9	540
Carol O'Quinn	10	600
Donald Forest	12	720
Clyde Masson	6	360
Emile Metoyer	10	600
Ludlow McNeely	10	600
Carletta Jones	9	<u>540</u>
Total		<u>\$4,680</u>

13. Board of Directors:

The Board of Directors of Natchitoches Parish Waterworks District No. 2 at December 31, 2021, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Henderson Howard, Jr. P. O. Box 236, Natchez, LA 71456 318-357-3158	Commissioner	8/30/2022
Ted Duggan 4463 Highway 494, Bermuda, LA 71456 318-352-8636	President	9/20/2025
Donald Forest 252 Highway 119, Natchez, LA 71456 318-352-7412	Vice President	8/30/2022
Emile Metoyer 2353 Bermuda Road, Bermuda, LA 71456 318-379-2407	Secretary/Treasurer	1/19/2026
Ludlow McNeely P. O. Box 2007, Natchitoches, LA 71457 318-652-2626	Commissioner	12/20/2025
Clyde Masson 1527 Highway 491, Cloutierville, LA 71416 318-379-0126	Commissioner	2/20/2023
Carol O'Quinn 1269 Highway 120, Robeline, LA 71469 318-379-2649	Commissioner	2/20/2023
Carletta Jones 231 St. Jerard Avenue, Natchitoches, LA 71457 318-238-4993	Commissioner	2/20/2023

14. Pending Litigation/Contingencies:

The District has no pending litigation at December 31, 2021.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2021

15. Subsequent Events:

Management has evaluated events through June 24, 2022, the date which the financial statements were available for issue. No items were identified to be disclosed.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Natchitoches Parish Waterworks District No. 2
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2021

Agency Head Name: Leslie Dunn, Jr., Manager

<u>Purpose</u>	<u>Amount</u>
Salary	\$76,550
Benefits-Insurance	33,246
Benefits-Other	5,864
Cell phone	909
Reimbursements	532

See independent auditor's report.

OTHER REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
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Ryan E. Todtenbier, CPA - A Professional Corporation

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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*

Mr. Henderson Howard, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

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 and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Natchitoches Parish Waterworks District No. 2's (District) basic financial statements and have issued our report thereon dated June 24, 2022.

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 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. 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 or significant deficiencies may exist that were not identified.

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 determination of 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*.

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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 24, 2022

Natchitoches Parish Waterworks District No. 2
Schedule of Audit Results
Year Ended December 31, 2021

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Natchitoches Parish Waterworks District No. 2.
2. The audit did not disclose any material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

None identified.

III. Prior Year Findings

None identified.

T | C | B | T
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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

To the Natchitoches Parish 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, 2021 through December 31, 2021. The Natchitoches Parish Waterworks District No. 2’s (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, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user for 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. We obtained and inspected the entity’s written policies and procedures and observed that they address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ***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.
 - ***Disbursements***, including processing, reviewing, and approving.
 - ***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.)

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedule.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **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).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- **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.
- **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

a) Procedure Results – No exceptions were noted.

Board or Finance Committee

2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents in effect during the fiscal period, and:
 - Observed 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.
 - Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

- Obtained the prior year audit report and observed the unassigned fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observed 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.

a) Procedure Results – No exceptions were noted.

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the entity's main operating account. We selected the entity's main operating account and randomly selected 4 additional accounts (or all if less than 5). We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:

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

a) Procedure Results – Some bank reconciliations did not include evidence of review by the District Manager.

Collections (excluding electronic funds transfers)

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. We randomly selected 5 deposit sites (or all deposit sites if less than 5).

5. We obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site selected. We obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties were properly segregated at each collection location such that:

- Employees that are responsible for cash collections do not share cash drawers/registers.
- 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.
- 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 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/official verifies the reconciliation.
6. We obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. We observed that the bond or insurance policy for theft was enforced during the fiscal period.
7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under “Bank Reconciliations” above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). We obtained supporting documentation for each of the deposits selected and:
- We observed that receipts are sequentially pre-numbered.
 - We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - We traced the deposit slip total to the actual deposit per the bank statement.
 - We observed 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).
 - We traced the actual deposit per the bank statement to the general ledger.
- a) Procedure Results – No exceptions were noted.

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

8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. We obtained 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 we observed that job duties are properly segregated such that:
- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, and obtained supporting documentation for each transaction and:

- We observed that the disbursement matched the related original itemized invoice and that documentation indicates that deliverables included on the invoice were received by the entity.
- We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

a) Procedure Results – No exceptions were noted.

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

11. We obtained 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. We obtained management's representation that the listing is complete.

12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly selected one monthly bank statement), and obtained supporting documentation, and:

- We observed 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 (or electronically approved), by someone other than the authorized card holder.
- We observed that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified 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, we described the nature of the transaction and noted whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

a) Procedure Results – The District incurred late fees and interest charges on the selected credit card statement.

Travel and Expense Reimbursement

14. We obtained 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. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

- If reimbursed using a per diem, we observed that the approved reimbursement rate is no more than those rates established by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- We observed that each reimbursement was supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - a) Procedure Results – No exceptions were noted.

Contracts

15. We obtained 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. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, excluding our contract, and:
- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
 - We randomly selected one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.
- a) Procedure Results – Not applicable due to the District not being engaged in any contracts.

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, we obtained attendance and leave documentation for the pay period, and:
- We observed that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- We observed that supervisors approved the attendance and leave of the selected employees/officials.
 - We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - We observed that the rate paid to the employees or officials agree to the authorized salary/pay rate found with the personnel file.
18. We obtained a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected two employees or officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. If applicable, we agreed the hours to the employees or officials' cumulative leave records, and the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and the termination payment to entity policy.
19. We obtained management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.
- a) Procedure Results – No exceptions were noted.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management, and:
- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - We observed that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- a) Procedure Results – No exceptions were noted.

Debt Service

21. We obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. We selected all debt instruments on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed 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).
- a) Procedure Results – No exceptions were noted.

Fraud Notice

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed 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. We observed whether 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.
- a) Procedure Results – No exceptions were noted.

Information Technology Disaster Recovery/Business Continuity

25. We performed the following procedures:
- We obtained and inspected the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquired of personnel responsible for backing up critical data) and observed that such backup occurred within the past week. If backups are stored on the physical medium (e.g., tapes, CDs), we observed that backups are encrypted before being transported.
 - We obtained and inspected the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquired of personnel responsible for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.
 - We obtained a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. We randomly selected the required number of computers (at least 5) and observed 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.
- a) Procedure Results – No exceptions were noted.

Sexual Harassment

26. We randomly selected the employees/officials from procedure #16 under "Payroll and Personnel" above, obtained sexual harassment training documentation from management, and observed that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. We observed that the entity has posted its sexual harassment policy and complaint procedures on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. We obtained the entity's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed that it includes the applicable requirements of R.S. 42:344:
- Number and percentage of public servants in the agency who have completed the training requirements;

- Number of sexual harassment complaints received by the agency;
- Number of complaints which resulted in a finding that sexual harassment occurred;
- Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- Amount of time it took to resolve each complaint.
 - a) Procedure Results – 1) The employees of the District did not complete at least one hour of sexual harassment training during the calendar year, 2) the District did not complete an annual sexual harassment report as required by LA R.S. 42:344.

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.

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Natchitoches, Louisiana

June 24, 2022

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 3: Exception – Some bank reconciliations did not include evidence of review by the District Manager.

Response – The District will ensure that all bank reconciliations include evidence of review by the District Manager or Board of Commissioners.

Item 12: Exception – The District incurred late fees and interest charges on the selected credit card statement.

Response – The District will ensure that credit cards are paid in a timely manner to ensure that future late fees and interest charges are not incurred again.

Item 26: Exception – The employees of the District did not complete at least one hour of sexual harassment training during the calendar year.

Response – The District will ensure that all employees receive at least one hour of sexual harassment training as required by LA R.S. 42:344.

Item 28: Exception – The District did not complete an annual sexual harassment report as required by LA R.S. 42:344.

Response – The District will ensure that the annual sexual harassment report is completed and available upon request as required by LA R.S. 42:344.