

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

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana'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 the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of December 31, 2021, 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana'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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s basic financial statements. The accompanying schedule of per diem paid to board members, schedule of compensation, benefits and other payments to agency head, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are 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 per diem paid to board members, schedule of compensation, benefits and other payments to agency head, schedule of expenditures of federal awards and the notes to the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana'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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
June 27, 2022

BASIC FINANCIAL STATEMENTS

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

Statement A

Statement of Net Position
For the Year Ending December 31, 2021

	Business-type Activities - <u>Enterprise Fund</u> Water and <u>Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,290,714
Receivables:	
Accounts	89,525
Ad valorem taxes	596,649
Restricted assets	
Cash and cash equivalents	212,448
Intergovernmental:	
Federal grant loan receivable	170,348
Total current assets	<u>\$ 3,359,684</u>
Noncurrent assets	
Land	\$ 124,673
Work in progress	1,381,961
Utility plant and equipment - net	4,189,444
Total noncurrent assets	<u>\$ 5,696,078</u>
Total assets	<u><u>\$ 9,055,762</u></u>
Liabilities	
Accounts payable	\$ 44,917
Payroll taxes payable	24
Pension payable - ad valorem tax	20,302
Liabilities payable from restricted assets:	
Contracts payable	183,049
Due within one year - revenue bonds	55,000
Long term debt:	
Due in more than one year - revenue bonds	1,281,312
Customer deposits	9,500
Total liabilities	<u>\$ 1,594,104</u>
Net Position	
Net investment in capital assets	\$ 4,347,064
Restricted fund balance	144,747
Unrestricted	2,969,847
Total net position	<u>\$ 7,461,658</u>
Total liabilities and net position	<u><u>\$ 9,055,762</u></u>

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ending December 31, 2021

Program Activities	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Business-type Activities</u>
Business-type activities:				
Water system	<u>\$ 1,349,450</u>	<u>\$ 927,388</u>	<u>\$ 167,397</u>	<u>\$ (254,665)</u>
General revenues:				
Investment earnings				\$ 9,113
Ad valorem tax receipts				545,183
Total general revenues				<u>554,296</u>
Change in net position				299,631
Net position at beginning of year				<u>7,162,027</u>
Net position at end of year				<u><u>\$ 7,461,658</u></u>

The accompanying notes are an integral part of this statement.

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

Statement C

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2021

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,290,714
Receivables:	
Accounts	89,525
Ad valorem taxes	596,649
Total current assets	<u>\$ 2,976,888</u>
Restricted Assets	
Cash and cash equivalents	\$ 212,448
Intergovernmental:	
Federal grant loan receivable	170,348
Total restricted assets	<u>\$ 382,796</u>
Noncurrent assets	
Land	\$ 124,673
Work in progress	1,381,961
Utility plant and equipment - net	4,189,444
Total noncurrent assets	<u>\$ 5,696,078</u>
Total assets	<u><u>\$ 9,055,762</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 44,917
Payroll taxes payable	24
Pension payable - ad valorem tax	20,302
Total current liabilities	<u>\$ 65,243</u>
Liabilities payable from restricted assets	
Contracts payable	\$ 183,049
Current portion of revenue bond	55,000
Total liabilities payable from restricted assets	<u>\$ 238,049</u>
Noncurrent liabilities	
Customer deposits	\$ 9,500
Bonds payable	1,281,312
Total noncurrent liabilities	<u>\$ 1,290,812</u>
Total liabilities	<u><u>\$ 1,594,104</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement C

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2021

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Net Position	
Net investment in capital assets	\$ 4,347,064
Restricted for debt service	144,747
Unrestricted	<u>2,969,847</u>
Total net position	<u>\$ 7,461,658</u>
Total liabilities and net position	<u>\$ 9,055,762</u> (Concluded)

The accompanying notes are an integral part of this statement.

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

Statement D

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ending December 31, 2021

	Business-type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 927,388
Operating expenses	
Personal services and related benefits	\$ 517,562
Supplies	148,505
Contractual services	463,918
Depreciation	184,493
Total operating expenses	\$ 1,314,478
Income (loss) from operations	\$ (387,090)
Nonoperating revenues (expenses)	
Investment income	\$ 9,113
Ad valorem taxes	545,183
Ad valorem taxes - pension expense	(20,302)
Interest expense	(11,676)
Bond administration fees	(2,994)
Total nonoperating revenue (expenses)	\$ 519,324
Income (loss) before contributions	\$ 132,234
Capital contributions	167,397
Change in net position	\$ 299,631
Net position at beginning of year	7,162,027
Net position at end of year	\$ 7,461,658

The accompanying notes are an integral part of this statement.

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

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2021

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 902,420
Cash payments to suppliers for goods and services	(638,338)
Cash payments to employees for services	(522,845)
Net cash used by operating activities	<u>\$ (258,763)</u>
Cash flows from capital and related financing activities:	
Interest expense	\$ (11,676)
Bond administration fees	(2,994)
Acquisition and construction of capital assets	(1,070,570)
Bond proceeds	1,003,621
Capital contributions	167,396
Net cash provided for capital and related financing activities	<u>\$ 85,777</u>
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 679,637
Pension paid on ad valorem taxes	(24,866)
Net cash provided by non-capital and related financing activities	<u>\$ 654,771</u>
Cash flow from investing activities:	
Investment income	<u>\$ 9,113</u>
Net increase (decrease) in cash and cash investments	\$ 490,898
Cash and cash equivalents, beginning	<u>2,012,264</u>
Cash and cash equivalents, ending	<u>\$ 2,503,162</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2021

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	<u>\$ (387,090)</u>
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation	\$ 184,493
Change in assets and liabilities:	
Increase in accounts receivable	(24,718)
Decrease in accounts payable	(25,915)
Decrease in payroll benefits payable	(5,283)
Decrease in customer deposits payable	(250)
Net cash used by operating activities	<u>\$ (258,763)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

Notes to the Financial Statements
As of and for the Year Ending December 31, 2021

INTRODUCTION

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from 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. Charges for services of providing water services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Cash and Cash Equivalents

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

D. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

E. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current fiscal year was \$11,676. Of this amount none was included as part of the cost of capital assets under construction in connection with the District's construction projects.

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

Notes to the Financial Statements (Continued)

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

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

F. Compensated Absences

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

G. Long Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District had no long term obligations as of December 31, 2021.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items as of December 31, 2021.

I. Estimates

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

J. Restricted Net Position

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

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

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

Notes to the Financial Statements (Continued)

K. Receivables and Payables

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

Property Tax Calendar	
Assessment date	January 1, 2021
Levy date	June 30, 2021
Tax bills mailed	October 15, 2021
Total taxes are due	December 31, 2021
Penalties & interest due	January 31, 2022
Lien date	January 31, 2022
Tax sale	May 15, 2022

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

For the year ended December 31, 2021, taxes of 17.45 mills were levied on property with an assessed valuation totaling \$34,191,851 and were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General Maintenance	17.45	17.45	Annually

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

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Perdido Energy Louisiana, LLC	Oil & Gas	\$ 2,225,345	6.51%	\$ 38,832
Daylight Petroleum, LLC	Oil & Gas	5,711,310	16.70%	99,662
Texegy Operating Company LLC	Oil & Gas	3,348,751	9.79%	58,436
Energy Transfer Crude Oil Co., LLC	Oil & Gas	3,520,521	10.30%	61,433
Total		\$ 14,805,927	43.30%	\$ 258,363

2. CASH AND CASH EQUIVALENTS

At December 31, 2021, the District has cash (book balances) totaling \$2,503,162 as follows:

Petty cash	\$ 358
NOW accounts	2,502,804
Total	\$ 2,503,162

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

Notes to the Financial Statements (Continued)

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

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

At December 31, 2021, the District has \$2,504,894 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$2,004,894 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the district and are therefore properly collateralized.

3. RECEIVABLES

The receivables of \$856,522 at December 31, 2021, are as follows:

<u>Class of receivable</u>	
Accounts	\$ 89,525
Ad valorem taxes	596,649
Loan receivable	<u>170,348</u>
Total	<u>\$ 856,522</u>

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

Notes to the Financial Statements (Continued)

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 124,673	\$ -	\$ -	\$ 124,673
Work in progress	213,792	1,205,869	37,700	1,381,961
Total capital assets, not being depreciated	<u>\$ 338,465</u>	<u>\$ 1,205,869</u>	<u>\$ 37,700</u>	<u>\$ 1,506,634</u>
Capital assets being depreciated				
Vehicles	\$ 187,356	\$ -	\$ -	\$ 187,356
Buildings	747,366	-	-	747,366
Furniture	30,569	-	-	30,569
Utility plant and improvements	6,826,091	37,700	-	6,863,791
Machinery and equipment	431,105	54,776	-	485,881
Total capital assets being depreciated	<u>\$ 8,222,487</u>	<u>\$ 92,476</u>	<u>\$ -</u>	<u>\$ 8,314,963</u>
Less accumulated depreciation for:				
Vehicles	\$ 114,236	\$ 20,470	\$ -	\$ 134,706
Buildings	68,233	18,849	-	87,082
Furniture	6,507	3,008	-	9,515
Utility plant and improvements	3,414,070	127,259	-	3,541,329
Machinery and equipment	337,980	14,907	-	352,887
Total accumulated depreciation	<u>\$ 3,941,026</u>	<u>\$ 184,493</u>	<u>\$ -</u>	<u>\$ 4,125,519</u>
Total business-type assets being depreciated, net	<u>\$ 4,281,461</u>	<u>\$ (92,017)</u>	<u>\$ -</u>	<u>\$ 4,189,444</u>

5. CONSTRUCTION COMMITMENTS

The District had an active construction project as of December 31, 2021. The District had the following construction project. The District is drilling a new water well at Fields, Louisiana. The District had water line extensions in progress on Ben Elston Road and Lane Road Booster Station Project.

Project	Spent to Date	Remaining Commitment
Fields Water Well Project	\$ 1,366,340	\$ 650,171
Ben Elston Road Extension	12,763	11,536
Lane Road Booster Station Project	2,857	257,143

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

Notes to the Financial Statements (Continued)

6. ACCOUNTS AND OTHER PAYABLES

The payables of \$257,792 at December 31, 2021, are as follows:

Accounts	\$	44,917
Contracts		183,049
Payroll taxes		24
Pension plan - ad valorem tax		20,302
Customer deposits		9,500
Total	\$	257,792

7. RETIREMENT SYSTEMS

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

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

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

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

8. LONG-TERM DEBT OBLIGATIONS

The following is a summary of the long-term debt obligations transactions for the year ended December 31, 2021:

		<u>Bonded Debt</u>
Long-term obligations		
at beginning of year	\$	171,427
Additions		1,164,885
Principal payments		-
Long-term obligations		
at end of year	\$	1,336,312

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2021:

		<u>Bonded Debt</u>
Current portion	\$	55,000
Long-term portion		1,281,312
Total	\$	1,336,312

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

Notes to the Financial Statements (Concluded)

Bonded debt is comprised of the following issue at December 31, 2021:

Bonded Debt – Governmental Funds:

\$2,000,000 Series 2020 Taxable Water Revenue Bonds
Due in annual installments of \$79,000 to \$123,000,
July 1, 2022 through July 1, 2041;
Interest at the rate of 1.95% \$1,336,312

The estimated annual requirements to amortize all bonds outstanding at December 31, 2021, for the District is as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2022	\$ 55,000	\$ 25,903	\$ 80,903
2023	81,000	36,802	117,802
2024	83,000	35,206	118,206
2025	85,000	33,571	118,571
2026	87,000	31,897	118,897
2027 - 2031	477,000	132,371	609,371
2032 - 2036	521,000	83,966	604,966
2037 - 2041	611,000	42,592	653,592
Total	\$ 2,000,000	\$ 422,308	\$ 2,422,308

As of December 31, 2021 only \$1,336,312 of the total bond issue of \$2,000,000 had been received by the district. At the time the district receives all of the proceeds, the estimated amortization schedule above will be finalized.

OTHER SUPPLEMENTAL SCHEDULES

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

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ending December 31, 2021

<u>Board Member</u>	<u>Amount</u>
Bill White	\$ 780
Lisa Gearen	780
Richelle Bowman	840
Jerry Cooley	660
Carroll Johnson	<u>780</u>
Total	<u>\$ 3,840</u>

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ending December 31, 2021

Mr. Jerry Cooley, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 660
Benefits - dental insurance	-
Benefits - retirement	-
Benefits - deferred compensation	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures</i>
<i>Drinking Water State Revolving Fund Cluster-Cluster</i>			
United States Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Louisiana Department of Health, 1011012-01	<u>1,164,886</u>
Total Capitalization Grants for Drinking Water State Revolving Funds			<u>1,164,886</u>
<i>Total United States Environmental Protection Agency</i>			<u>1,164,886</u>
<i>Total Drinking Water State Revolving Fund Cluster-Cluster</i>			1,164,886
<i>Other Programs</i>			
Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>138,077</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>138,077</u>
<i>Total Department of Homeland Security</i>			<u>138,077</u>
<i>Total Other Programs</i>			<u>138,077</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 1,302,963</u></u>

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2021

Note A. Scope of Audit

The audit was performed pursuant to the *Single Audit Act of 1996* and the *Uniform Guidance*.

Summary of significant accounting policies:

The Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the District in preparation of the government wide financial statements that report these awards. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Note B. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District that were received directly from federal agencies or passed through other entities and governmental agencies.

The District has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of the Uniform Guidance. The Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

Note C. Major Federal Awards Program

The District's major federal awards program for the year ended December 31, 2021 was determined based on program activity. The District's major programs for the year ended December 31, 2021 consisted of federally assisted high risk "Type A" programs.

Note D. Subsequent Events

The District is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures of federal awards. The District performed such an evaluation through the date of the opinion, which is the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

Note E. Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note F. There were no awards passed through to subrecipients.

Note G. The balance of the loan outstanding for the Capitalization Grants for Drinking Water State Revolving Funds Loan Program at year end was \$1,336,312.

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ending December 31, 2021

There were no prior year audit findings as of December 31, 2020.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2021

There were no current year audit findings as of December 31, 2021.

Windham & Reed, L.L.C.

Certified Public Accountants

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated June 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

A handwritten signature in black ink that reads "J. M. Windham, CPA". The signature is written in a cursive style with a large, stylized initial "J".

DeRidder, Louisiana
June 27, 2022

Windham & Reed, L.L.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's major federal programs for the year ended December 31, 2021. Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "John A. Windham, CPA". The signature is written in a cursive style with a large initial 'J'.

DeRidder, Louisiana
June 27, 2022

Schedule of Findings and Questioned Costs
For the Year Ending December 31, 2021

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the primary government financial statements of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana as of and for the year ended December 31, 2021.
2. The audit disclosed no material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose findings related to federal awards that are required to be reported in accordance with the Uniform Guidance.
7. The following program was major for the year ended December 31, 2021:
 - United States Environmental Protection Agency
 - Capitalization Grants for Drinking Water State
 - Revolving Funds – CFDA #66.468
8. \$750,000 was the threshold used to distinguish Type A and Type B programs.
9. The Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana did not qualify as a low-risk auditee.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe 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) **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).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Written policies and procedures obtained and address the functions listed.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
No exceptions noted.
 - b) For those entities reporting on the governmental accounting model, observe 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 funds⁷.
Alternately, for those entities reporting on the nonprofit 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.
No exceptions noted.
 - 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.
Not applicable.

Bank Reconciliations

- 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 or electronically logged);
No exceptions noted.
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
No exceptions noted.
- 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.
No exceptions noted.

Collections (excluding electronic funds transfers)

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 (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - 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.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
No exceptions noted to the listed procedures.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
No exceptions noted.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made 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 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.

Examined two random deposit dates for each account, no exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - 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.

[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.]

The employee responsible for processing payments can modify vendor files.

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

No exceptions noted.

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions noted.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- If reimbursed using a per diem, observe 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).
 - If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *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:
- 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 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).
- 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 the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. 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.

No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe 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 a 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 or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.
- No exceptions noted.*

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
- No exceptions noted.*
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
- No exceptions noted.*

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- Not applicable.*
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.
- No exceptions noted.*

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

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

No exceptions noted.

Sexual Harassment

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

No exceptions noted.

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

No exceptions noted.

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

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

Not applicable.

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

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

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
June 27, 2022