

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1

OUACHITA PARISH POLICE JURY

MONROE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2022

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MONROE, LOUISIANA
DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lakeshore Subdivision Sewerage District #1
Monroe, Louisiana

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Lakeshore Subdivision Sewerage District # 1, a component unit of the Ouachita Parish Police Jury (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lakeshore Subdivision Sewerage District # 1, as of December 31, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lakeshore Subdivision Sewerage District # 1 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 Lakeshore Subdivision Sewerage District # 1'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.

Auditors' 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 auditors' 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 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 Lakeshore Subdivision Sewerage District # 1'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 Lakeshore Subdivision Sewerage District # 1'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 6 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation paid to Board of Commissioners, The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer, and the

Schedule of Specific Requirements of the Sewer Revenue Bond Issue 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 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 paid to Board of Commissioners, The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer, and the Schedule of Specific Requirements of the Sewer Revenue Bond Issue is fairly stated, in all material respects, 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 November 30, 2023, 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 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 November 30, 2023, on the results of our statewide 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 statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Johnson Perry Roussel & Cuthbert, L.L.P.

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
Monroe, Louisiana
November 30, 2023

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lakeshore Subdivision Sewerage District #1 financial performance presents management's overview of the District's financial activities for the year ended December 31, 2022. Please read it in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates as an enterprise fund and presents its financial statements using the accrual basis of accounting. As an enterprise fund, the District's basic financial statements include three components: Management's Discussion and Analysis, Basic Financial Statements, and Notes to the Financial Statements.

The Statement of Net Position includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is all unrestricted at December 31, 2022. The increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. The Statement of Net Position provides a basis for evaluating the capital structure of the District, and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Fund Net Position shows how the District's net position changed during the year. All of the current year's revenues and expenses were recorded when the underlying transaction occurs, regardless of the timing of related cash flows. The Statement of Revenues, Expenses, and Changes in Fund Net Position measures the District's performance over the last year, and whether the District recovered its costs through fees and other revenues.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. The statement reports cash activity in three categories, cash flows from operations, and cash flow from investing activities. This statement accounts only for transactions that result in cash receipts and cash disbursements.

The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

presents material disclosures required by accounting principles generally accepted in the United States of America that are not otherwise presented in the financial statements.

FINANCIAL POSITION SUMMARY

The Statement of Net Position depicts the District's financial position as of one point in time, December 31, 2022, and includes all assets and liabilities. Net position represents the residual interest in the District's assets after deducting liabilities. The District's net assets were \$546,679. A condensed summary of The District's net position at December 31, 2022, is as follows:

**SUMMARY OF FINANCIAL POSITION -
BUSINESS TYPE ACTIVITIES**

	<u>2022</u>	<u>2021</u>
Current and Other Assets	335,555	300,382
Capital Assets	<u>1,576,012</u>	<u>1,655,070</u>
Total Assets	<u>1,911,567</u>	<u>1,955,452</u>
 Liabilities	 <u>1,364,888</u>	 <u>1,425,957</u>
Invested in Capital Assets, net of Related Debt	226,012	235,070
Restricted for Capital and other Projects	239,366	226,500
Unrestricted	<u>81,301</u>	<u>67,925</u>
Total Net Position	<u><u>546,679</u></u>	<u><u>529,495</u></u>

Net assets are composed of the following:

Net investment in capital assets- Land, Building, and Equipment, less the related indebtedness outstanding used to acquire those capital assets, represent the largest portion of the District's net position at December 31, 2022. The District uses capital assets to provide services to its customers.

The changes in net position over time may serve as a useful indicator of changes in the District's financial position. A summary of the District's changes in net position at December 31, 2022 is set forth below:

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL POSITION SUMMARY (Continued)

CHANGE IN NET POSITION

Changes in Net Position	<u>2022</u>	<u>2021</u>
Charges for Service	529,831	519,710
Total Operating Expenses	<u>441,390</u>	<u>470,607</u>
Operating Income	88,441	49,103
Non-Operating Revenues/Expenses		
Investment Income	-0-	45
Interest Expense	(71,257)	(73,415)
Total Non-Operating Expenses	<u>(71,257)</u>	<u>(73,370)</u>
Change - Increase (Decrease) in Net Position	<u>17,184</u>	<u>(24,267)</u>

The District's operating revenues and expenses include the sales of sewerage disposal service sold to its customers. The District experienced a net operating loss of \$24,267 for the prior year ended December 31, 2021. This compares to a net income of \$17,184 for the current year ended December 31, 2022. Total revenues in 2022 increased by \$10,121. Operating expenses decreased by \$29,217 due to a decrease in repairs, electrical expenses and an increase supervisory and accounting fees and bill collection expense. The current depreciation charge decreased due to certain assets becoming fully depreciated during the year 2022.

FINANCIAL ANALYSIS OF THE FUNDS

As the District completed the prior year ended December 31, 2021, the enterprise fund reported total assets of \$1,955,452. At the conclusion of the current year ended December 31, 2022, the enterprise fund reported total assets of \$1,911,567 showing restricted assets as required by the Bond of \$239,366.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the close of the prior year ended December 31, 2021, the District showed an investment in Capital Assets of \$3,785,619 and a net value after depreciation of \$ 1,655,070.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

As of the close of the current year ended December 31, 2022, the District showed Capital Assets with an investment of \$3,785,619 and a net value after depreciation of \$1,576,012, as illustrated below. Land is not depreciated.

CAPITAL ASSETS - PROPERTY, PLANT & EQUIPMENT

Total Capital Assets Investment - December 31, 2021	3,785,619
Additions - 2022	-
Total Capital Assets Investment - December 31, 2022	<u>3,785,619</u>
Less - Accumulated Depreciation	<u>2,209,607</u>
Total Net Capital Assets - December 31, 2022	
Includes Land (\$26,000) which is Not Depreciated	<u><u>1,576,012</u></u>

Debt

On July 31, 2015, the District obtained a Sewer Revenue Bond in the amount of \$1,800,000. The first payment due was February 2, 2016. The last payment is due August 1, 2036.

As of January 1, 2022, the beginning of the current year (2022), the District had a balance in the Sewer Bond Issue mentioned above of \$1,420,000. At December 31, 2022, the balance of the debt was \$1,350,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District is a component unit of the Ouachita Parish Police Jury and as such, is ultimately under the supervision of the Police Jury. The Jury has appointed a board of commissioners to oversee the operations of the District. Mr. Jeff McNew serves as the Secretary-Treasurer of the District and may be contacted by mail at Lakeshore Subdivision Sewerage District, P.O. Box 7237, Monroe, LA 71211.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 AS OF DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	53,885
Accounts Receivable		<u>42,304</u>

<u>TOTAL CURRENT ASSETS</u>		<u>96,189</u>
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NON-CURRENT ASSETS

Restricted Assets		<u>239,366</u>
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<u>TOTAL NON-CURRENT ASSETS</u>		<u>239,366</u>
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CAPITAL ASSETS

Capital Assets, Net		<u>1,576,012</u>
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<u>TOTAL CAPITAL ASSETS</u>		<u>1,576,012</u>
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<u>TOTAL ASSETS</u>	\$	<u><u>1,911,567</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	9,164
Accrued Interest Payable		5,724
Current Portion of Bonds Payable		<u>70,000</u>

<u>TOTAL CURRENT LIABILITIES</u>		<u>84,888</u>
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NON-CURRENT LIABILITIES

Bonds Payable		<u>1,280,000</u>
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<u>TOTAL NON-CURRENT LIABILITIES</u>		<u>1,280,000</u>
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<u>TOTAL LIABILITIES</u>		<u>1,364,888</u>
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NET POSITION

Net Investment in Capital Assets		226,012
Restricted for Capital and Other Projects		239,366
Unrestricted		<u>81,301</u>

<u>TOTAL NET POSITION</u>		<u>546,679</u>
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<u>TOTAL LIABILITIES AND NET POSITION</u>	\$	<u><u>1,911,567</u></u>
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See Independent Auditors' Report and accompanying notes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>OPERATING REVENUE</u>	
Charges for Services	\$ 529,831
<u>TOTAL OPERATION REVENUE</u>	<u>529,831</u>
<u>OPERATING EXPENSES</u>	
Bank Fees	391
Bill Collection Expense	37,943
Contractor Expense	-
Electrical Expense	36,188
Engineering	-
Depreciation Expense	79,058
Insurance Expense	5,853
Lab Fees	5,476
Legal and Professional	11,600
Office Expense	400
Permits	2,608
Plumbing Supplies and Maintenance	369
Polymer Expense	-
Repairs and Maintenance	29,004
Supervisory and Accounting	232,500
<u>TOTAL OPERATING EXPENSES</u>	<u>441,390</u>
<u>OPERATING INCOME (LOSS)</u>	<u>88,441</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment Income	-
Interest Expense	(71,257)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	<u>(71,257)</u>
<u>CHANGE IN NET POSITION - INCREASE (DECREASE)</u>	<u>17,184</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>529,495</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 546,679</u>

See Independent Auditors' Report and accompanying notes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash Received from Customers	\$ 531,154
Cash Paid to Suppliers for Goods and Services	<u>(353,168)</u>
Net Cash Provided (Used) by Operating Activities	<u>177,986</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Principal Paid on Revenue Bonds	(70,000)
Interest Paid on Revenue Bonds	<u>(71,490)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(141,490)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of Fixed Assets	-
Interest on Investments	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>36,496</u>
<u>CASH AND RESTRICTED CASH – BEGINNING</u>	<u>256,755</u>
<u>CASH AND RESTRICTED CASH –ENDING</u>	<u>\$ 293,251</u>
 <u>RECONCILIATION OF CASH AND RESTRICTED CASH</u>	
Cash	\$ 53,885
Restricted Assets	239,366
<u>CASH AND RESTRICTED CASH</u>	<u>\$ 293,251</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 88,441
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	79,058
(Increase) Decrease in Current Assets:	
Accounts Receivable	1,323
Increase (Decrease) in Current Liabilities:	
Accounts Payable	<u>9,164</u>
Net Cash Flow Provided (Used) by Operating Activities	<u>\$ 177,986</u>

See Independent Auditors' Report and accompanying notes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTRODUCTION

The Lakeshore Subdivision Sewerage District #1, Monroe, Louisiana, (serving approximately 1000 people) was established by the Ouachita Parish Jury in the early 1970's and is a component unit of the Police Jury. The District is operated by a board of three commissioners, who are appointed by the Ouachita Parish Police Jury. The commissioners receive no compensation. The District is managed by an independent contractor, hence no payrolls. The actual footage of the sewerage lines is not known.

REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statements establish criteria for determining which component units of governments should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners by the District and has the ability to impose its will upon the District, the District being considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by the primary governmental unit or other component units that comprise the primary government reporting entity.

BASIS OF ACCOUNTING

The District had adopted the provisions of the Governmental Accounting Standards Board Statement No. 34,

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF ACCOUNTING (Continued)

Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement 34 establishes standards for external reporting for all state and local governmental entities which includes a statement of net position, a statement of activities, and a statement of cash flows. It also requires the classification of net position into three components- invested in capital position, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowing attributed to the acquisition, construction, or improvement of those assets.

Restricted net position - This component consists of net resources on which constraints have been placed externally by creditors (such as through debt covenants), grantors contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net position - This component consists of net resources that do not meet the definition of "restricted" or "invested" in capital assets, net of related debt."

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are charges

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF ACCOUNTING (Continued)

to customers for service. Customers are billed monthly for services received during the month. The District also recognizes as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

ACCOUNTS RECEIVABLE

Receivables are primarily composed of amounts due from customers located within the district. The direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

PROPERTY AND EQUIPMENT

Fixed assets of the District are valued at historical cost and are included on the balance sheet of the fund, net of accumulated depreciation. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of periods from 5 to 50 years. The District considers assets with an individual cost of \$1,000 or more and an estimated useful life of one year or more as a capital asset. Donated assets, if applicable are stated at fair market value.

STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments [including restricted assets, (where applicable)] with a maturity of three months or less when purchased to be cash equivalents.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

COMPENSATED ABSENCES

The District has no employees and therefore does not have a formal leave policy.

USE OF ESTIMATES

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

CASH AND INVESTMENTS

Under state law, the District may invest funds in demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. If the original maturity of investments exceeds 90 days, they are classified as investments.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured or uncollateralized 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CASH AND INVESTMENTS (Continued)

collateralized with securities held by the pledging financial institution's trust department agent, but not in the entity's name. The entity has no known policy for custodial credit risk.

RESTRICTED ASSETS

Certain proceeds of the proprietary fund's resources are set aside for specific payments and are classified on the balance sheet as restricted assets because their use is limited by applicable requirements. These accounts are secured by Sabine Bank. See Note 6, Number 13. The District uses restricted resources to fund appropriations before using unrestricted resources.

LONG-TERM LIABILITIES

Long-term liabilities are recognized within the proprietary fund. Please see Note 6 for details.

NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowing used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 2 - CASH AND CASH EQUIVALENTS:

At December 31, 2022, the District has cash and cash equivalents (book balances) as follows:

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS: (Continued)

Non-Interest Bearing Demand Deposits	53,885
Interest Bearing Demand Deposits	<u>-0-</u>
Total Cash and Cash Equivalents	<u>53,885</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Pledged Securities

Cash and Cash Equivalents	53,885
Totals	<u>53,885</u>
Total Insurance Security Pledge	<u>250,000</u>
Collateralized above Requirement	<u>(196,115)</u>

Accounts are adequately collateralized at December 31, 2022 as shown in the above chart.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, 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 has failed to pay deposited funds upon demand.

NOTE 3 - RECEIVABLES:

The following is a summary of receivables at December 31, 2022:

<u>Class of Receivable</u>	<u>Current Assets</u>	<u>Total</u>
Accounts Receivable	<u>42,304</u>	<u>42,304</u>

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 - RECEIVABLES: (Continued)

No allowance for bad debts is used since bad debts are written off by direct write-off.

NOTE 4 - RESTRICTED ASSETS:

Sabine Construction Account	37,814
Sabine Debt Service Reserve Fund	143,590
Sabine Debt Service Fund	<u>57,962</u>
TOTAL	<u>239,366</u>

These assets are restricted as a contingency fund for capital and other projects and debt services. August 1, 2015, the District obtained a revenue bond in the amount of \$1,800,000; the above restricted assets are the required restrictions from that outstanding Bond at December 31, 2022. See Note 6 below.

NOTE 5 - CAPITAL ASSETS:

The following is a summary of capital assets:

	<u>1/01/2022</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>12/31/2022</u>
Non-Depreciable Capital Assets				
Land	<u>26,000</u>	-	-	<u>26,000</u>
Total Non-Depreciable Capital Assets	<u>26,000</u>	<u>-0-</u>	<u>-0-</u>	<u>26,000</u>
Depreciable Capital Assets				
Plant Equipment	1,050,252	-	-	1,050,252
Treatment Plant	<u>2,709,367</u>	-	-	<u>2,709,367</u>
Total Depreciable Capital Assets	<u>3,759,619</u>	<u>-0-</u>	<u>-0-</u>	<u>3,759,619</u>
Total Capital Assets	3,785,619	-0-	-0-	3,785,619
Accumulated Depreciation	<u>(2,130,549)</u>	<u>(79,058)</u>	<u>-0-</u>	<u>(2,209,607)</u>
Capital Assets, Net	<u>1,655,070</u>	<u>(79,058)</u>	<u>-0-</u>	<u>1,576,012</u>

For the year ended December 31, 2022, additions totaled \$-0- and depreciation was \$79,058.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - LONG-TERM LIABILITIES CONFIRMED 2022:

Sewer Revenue Bond Sinking Fund: The Sabine State Bank and Trust Company is the paying agent for these Bonds.

The revenue bond required restrictions shown in Note 4 are explained below.

1. Title of issue: Sewer Revenue Bonds, Series 2015
2. Original date of issue: 07/31/2015
3. Maturity date of issue: 08/01/2036
4. Annual interest rate: 0.50% - 6.00%
5. Principal amount of original issue: \$1,800,000
6. Principal amount retired during year: \$70,000
7. Principal amount outstanding at December 31, 2022:
\$1,350,000
8. Interest payment dates: February 1 and August 1
9. Cash held for payment of unrepresented bonds (cash balance at December 31, 2022): None
10. Total interest paid during year: \$71,257
11. Matured bonds unredeemed at December 31, 2022: None
12. Total amount of fiscal agent fees paid by Lakeshore Subdivision Sewerage District #1 during the year:
N/A
13. Restricted Sabine Bank accounts are secured by Sabine Bank.

	<u>Principal</u>	<u>Interest</u>	<u>Total Paid</u>	<u>Balance</u>
Balance				
12/31/2022				1,350,000
2023	70,000	68,690	138,690	1,280,000
2024	75,000	65,540	140,540	1,205,000
2025	80,000	61,790	141,790	1,125,000
2026	80,000	57,390	137,390	1,045,000
2027	85,000	54,190	139,190	960,000
2028-2032	470,000	211,600	681,600	490,000
2033-2036	490,000	72,600	562,600	-0-
	<u>1,350,000</u>	<u>591,800</u>	<u>1,941,800</u>	<u>-0-</u>

NOTE 7 - RESTRICTIONS ON USE OF UTILITIES REVENUES:

Funds provided by sewer utilities revenue are to be used in the following manner before they are available for other lawful purposes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 - RESTRICTIONS ON USE OF UTILITIES REVENUES: (Continued)

1. Operating expense of the District.
2. Maintenance and repair funds.

NOTE 8 - RELATED PARTY TRANSACTIONS:

There were no related party transactions during the year ended December 31, 2022.

NOTE 9 - SUBSEQUENT EVENTS:

Subsequent events were evaluated by management up to and including the issue date of this report, November 30, 2023. There were no additional subsequent events noted which would affect the financial statements for the year ended December 31, 2022.

NOTE 10 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts, theft or damage to, and destruction of assets. The Ouachita Parish Police Jury is responsible for these liabilities of the District. The Restricted Assets, \$239,366 at December 31, 2022, are collateralized by Sabine Bank.

NOTE 11 - IMPAIRMENT OF LONG-LIVED ASSETS:

In accordance with the accounting guidance for the impairment or disposal for long-lived assets, the Commission reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized to date.

OTHER INFORMATION

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS
SUPPLEMENTARY INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2022

The following schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

O.C. Hancock -0-
714 Lakeshore Drive
Monroe, LA 71203
318-343-4190

Hubert Griffin -0-
734 Lakeshore Drive
Monroe, LA 71203
318-343-1657

Gary Armstrong -0-
108 Azalea Lane
Monroe, LA 71203

See Independent Auditors' Report and accompanying notes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 FOR THE YEAR ENDED DECEMBER 31, 2022

Agency Head Name: Jeff McNew-Secretary/Treasurer

<u>Purpose</u>	<u>Amount</u>
Salary	-0-
Benefits-insurance	-0-
Benefits-retirement	-0-
Benefits-other (describe)	-0-
Benefits-other (describe)	-0-
Benefits-other (describe)	-0-
Car allowance	-0-
Vehicle provided by government (enter amount reported on W-2)	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference travel	-0-
Housing	-0-
Unvouchered expenses (example: travel advances, etc.)	-0-
Special meals	-0-
Other	-0-

No compensation or other benefits were received by Mr. McNew or any of the other board members.

See Independent Auditors' Report and accompanying notes.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SCHEDULE OF SPECIFIC REQUIREMENTS OF
THE SEWER REVENUE BOND ISSUE
FOR THE YEAR ENDED DECEMBER 31, 2022

- A. Detailed statement of income and expenditures for the year ended December 31, 2022: See page 11 of the 2022 audit.
- B. Balance sheet of the system as of December 31, 2022: See page 10 of the 2022 audit.

See Independent Auditors' Report and accompanying notes.

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.

VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC
DAWN WHITSTINE, CPA, APC

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

To the Board of Commissioners
Lakeshore Subdivision Sewerage District #1
West Monroe, 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 of the Lakeshore Subdivision Sewerage District #1, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2023.

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 Commission's internal control.

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

deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-003.

Lakeshore Subdivision Sewerage District #1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Lakeshore Subdivision Sewerage District #1's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Lakeshore Subdivision Sewerage District #1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

This report is intended for the information use of management, the Board members, and the Louisiana Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson Perry Roussel & Cuthbert, LLP

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
Monroe, Louisiana
November 30, 2023

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting and Compliance

* Material weakness(es) identified? ___ yes X no

* Control deficiency(s) identified that are
not considered to be material weaknesses? X yes ___ none reported

Noncompliance material to financial
statements noted? ___ yes X no

Finding 2022-001

Criteria: Effective internal controls require segregation of duties.

Condition: There is no segregation of duties.

Cause: District personnel consists of one person.

Effect: Internal control is weakened by limited staff.

Recommendation: Whether or not it would be cost effective to correct a condition is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all conditions reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the condition described above is cost effect or practical and, accordingly, do not believe that any corrective action is necessary.

Client Response: Management states it is not cost effective to remedy this condition. No additional action is needed.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Finding 2022-002

Criteria: Proper internal controls under professional auditing standards require management to prepare the organization's annual financial statements.

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Professional auditing standards require that we report the above condition as a control deficiency. The standard does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Cause: It is not cost effective for the organization to cure this control deficiency.

Effect: This finding has no material effect on the financial statements.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS (Continued)

Finding 2022-002 (Continued)

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying professional auditing standards reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under professional auditing standards. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Client Response: Management agrees with this finding.

Finding 2022-003

Criteria: Under Louisiana Statute 24:513, the District is required to submit an audit of its annual financial statements to the Louisiana Legislative Auditor within six months of its year-end, December 31, 2022.

Condition: The audit report was not submitted by June 30, 2023.

Cause: The District needed additional time to gather all documents necessary for reporting on new investment accounts.

Effect: Noncompliance with state law regarding financial reporting.

Recommendation: The District should keep all accounting records up to date throughout the year.

Client Response: Management agrees with this finding.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Mr. Jeff McNew, Secretary/Treasurer, is the contact person for the corrective action plan.

Internal Control Findings

2022-001

Condition: There is no segregation of duties.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying professional standard reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Responses: Management agrees with the auditors' recommendation. No additional action is needed.

2022-002

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Internal Control Findings (Continued)

2022-002 (Continued)

Condition: Professional auditing standards require that we
(Continued) report the above condition as a control deficiency.
The standard does not provide exceptions to reporting
deficiencies that are adequately mitigated with non-
audit services rendered by the auditor or
deficiencies for which the remedy would be cost
prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost
effective to cure a control deficiency is not a
factor in applying professional auditing standards
reporting requirements. Because prudent management
requires that the potential benefit from an internal
control must exceed its cost, it may not be practical
to correct all the deficiencies an auditor reports
under professional auditing standards. In this case,
we do not believe that curing the significant
deficiency described above would be cost effective or
practical and, accordingly, do not believe any
corrective action is necessary.

Responses: Management agrees with this finding.

Compliance

2022-003

Condition: The audit report was not submitted by June 30, 2023.

Recommendation: The District should keep all accounting records up to
date throughout the year.

Responses: Management agrees with this finding.

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - Internal Control

2021-001

Condition: No segregation of duties.

Status: Uncleared.

2021-002

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Professional auditing standards require that we report the above condition as a control deficiency. The standard does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Status: Uncleared.

SECTION II - Compliance

2021-003

Condition: The audit report was not submitted by June 30, 2023.

Status: Uncleared.

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.

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ROWLAND H. PERRY, CPA-Retired
CHARLES JOHNSON, JR., CPA-Retired

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Lakeshore Subdivision Sewerage District #1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Lakeshore Subdivision Sewerage District #1 (the District) 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, 2022 to December 31, 2022. The District's 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, 2022 to December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Written Policies and Procedures

A. Obtain and inspect the Bureau's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

- II) **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.
- III) **Disbursements**, including processing, reviewing, and approving.
- IV) **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).
- V) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- VI) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- VII) **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.
- VIII) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- IX) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- X) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- XI) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a

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.

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

Findings: The District does not have written policies and procedures

2. Board or Finance Committee

A. 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:

- I) 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.
- II) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
- III) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.
- IV) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Findings: The minutes do not document budget to actual comparisons. The minutes do no document updates of the progress of audit findings.

Except as otherwise stated, no other exceptions were identified in the performance of the procedures listed above.

3. Bank Reconciliations

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

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

II) 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

III) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months at the end of the statement closing date.

Findings: Bank reconciliations were not completed within two months of closing date.

Bank reconciliations were not approved by persons independent of the accounting function.

Except as otherwise stated, no other exceptions were identified in the performance of the procedures listed above.

4. Collections

A. 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).

Findings: We obtained the listing and management's representation.

B. 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:

- I) Employees that are responsible for cash collections do not share cash drawers/registers.
- II) 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.
- III) 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:
- IV) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: No exceptions noted.

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

Findings: No exceptions noted.

- D. 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). Obtain supporting documentation for each of the 10 deposits and:
 - I) Observe that receipts are sequentially pre-numbered.
 - II) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - III) Trace the deposit slip total to the actual deposit per the bank statement.

IV) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

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

Findings: No exceptions noted.

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

A. 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).

Findings: We obtained the listing of locations that process payments and no exceptions were noted.

B. For each location selected under #5A 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.
- e) Only employees/officials authorized to sign checks approve the electronic disbursements (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Findings: There is no review of vendors by a person outside of processing payments.

Except as otherwise stated, no other exceptions were identified in the performance of the procedures listed above.

C. 10. For each location selected under #5A 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:

I) Observe that the disbursement matches the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

II) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

III) Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., check signers) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Findings: No exceptions noted.

6. Credit Cards/Debit Cards/Fuel Cards/P-Cards

A. 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.

Findings: We obtained the listing and management's representation.

B. 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:

I) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

II) Observe that finance charges and late fees were not assessed on the selected statements.

Findings: Not applicable as the District does not have credit cards/debit cards/fuel cards/p-cards.

C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). 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.

Findings: Not applicable as the District does not have credit cards/debit cards/fuel cards/p-cards.

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

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

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

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1A(VII)).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: We obtained the general ledger and the District's travel and related expense reimbursements. We obtained management's representation.

No exceptions noted.

8. Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment 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 that the invoice and related payment agreed to the terms and conditions of the contract.

Findings: We obtained a list of contracts and management's representations.

No exceptions noted.

9. Payroll and Personnel

A. Obtain a listing of employees/elected employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Findings: We obtained a listing of employees and management's representation.

No exceptions were noted.

B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:

- I) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- II) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- III) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- IV) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Findings: Not applicable. The District does not have employees.

C. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, and the entity policy on termination payments. Agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials'

authorized pay rates in the employee/officials' personnel files, and agree the termination payment to entity policy.

Findings: Not applicable. The District does not have employees.

D. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings: Not applicable. The District does not have employees.

10. Ethics (excluding nonprofits)

A. Using the five randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management and:

- I) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- II) Observe 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.

Findings: There was no evidence of ethics training by officials. The District does not have an ethics policy. The District has no employees.

B. Inquire and/or observe where the Bureau has appointed an ethics designee as required by R.S. 42:1170.

Findings: No exceptions noted.

11. Debt Service

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

Findings: We noted that no debt was issued during the fiscal period.

B. 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.

Findings: No exceptions noted.

12. Fraud Notice

A. 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.

Findings: We noted that there were no misappropriations of public funds or assets reported to the District.

B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: No exceptions noted.

13. Information Technology Disaster Recovery/Business Continuity

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

I) 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, was not stored on the District's local server or network and was encrypted.

II) 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.

III) 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.

Findings: Not applicable. All computer functions are outsourced.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedures #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Findings: We performed the procedures and discussed the results with management.

14. Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Findings: There was no evidence of sexual harassment training by officials. The District has no employees.

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

Findings: The District does not have a written policy.

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

- I) Number and percentage of public servants in the agency who have completed the training requirements;
- II) Number of sexual harassment complaints received by the agency;
- III) Number of complaints which resulted in a finding that sexual harassment occurred;
- IV) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

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

Findings: No report was prepared.

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.

Johnson Perry Roussel & Cuthbert, LLP

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
MONROE, LOUISIANA
November 30, 2023