

**SOUTHWEST ALLEN PARISH
WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE
ALLEN PARISH POLICE JURY**
Kinder, Louisiana

ANNUAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Southwest Allen Parish Water District No. 2, component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southwest Allen Parish Water District No. 2, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Allen Parish Water District No. 2's basic financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as is also not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer and 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*, I have also issued my report dated March 16, 2020, on my consideration of the Southwest Allen Parish Water District No. 2's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Allen Parish Water District No. 2's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 16, 2020

FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF NET POSITION
December 31, 2019

ASSETS

Current assets:

Cash	\$ 1,665,937
Cash - restricted	494,903
Investments	119,522
Receivables - net	192,675
Prepaid assets	19,911
Total current assets	<u>2,492,948</u>

Non-current assets:

Capital assets - net of accumulated depreciation	<u>5,136,316</u>
Total non-current assets	<u>5,136,316</u>

TOTAL ASSETS 7,629,264

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	317,153
Accrued liabilities	8,153
Payable from restricted assets:	
Customer deposits	<u>22,112</u>
Total current liabilities	<u>347,418</u>

Non-current liabilities

Long-term portion of bonds payable	<u>2,427,185</u>
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TOTAL LIABILITIES 2,774,603

Net Position:

Net investment in capital assets	2,709,131
Restricted:	
Debt service	453,678
Construction	13,085
Unrestricted	<u>1,678,767</u>

TOTAL NET POSITION 4,854,661

TOTAL LIABILITIES AND NET POSITION \$ 7,629,264

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2019

OPERATING REVENUES:	
Charges for services	\$ 1,427,252
Miscellaneous	32,949
TOTAL OPERATING REVENUES	<u>1,460,201</u>
OPERATING EXPENSES:	
Advertising	2,767
Computer service	3,207
Depreciation	174,761
Dues	400
Fees	11,410
Insurance - general	32,694
Insurance - health	73,012
Interest	37,860
Miscellaneous	10,618
Office	39,887
Per diem	4,040
Professional fees	13,456
Repairs and maintenance	26,373
Retirement	32,755
Salaries	323,339
Supplies	83,120
Taxes and licenses	20,654
Transportation	21,564
Utilities	142,768
Water administration fees	24,587
TOTAL OPERATING EXPENSES	<u>1,079,272</u>
OPERATING INCOME (LOSS)	<u>380,929</u>
NON-OPERATING REVENUES (EXPENSES):	
Grant revenue	457,160
Bond interest reimbursement	5,740
Dividend revenue	10,131
Interest income	4,017
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>477,048</u>
CHANGE IN NET POSITION	857,977
NET POSITION- BEGINNING	3,996,684
NET POSITION - ENDING	<u>\$ 4,854,661</u>

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:	
Received from customers and users	\$ 1,404,391
Other operating receipts	32,949
Payments for supplies and services	(1,020,783)
Payments to employees, benefits and payroll taxes	(453,671)
Net Cash Provided by Operating Activities	<u>(37,114)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(1,875,624)
Grant revenue	457,160
Proceeds from long-term debt	1,935,325
Bond payments	(118,000)
Net Cash Provided (Used) from (for) Capital and Related Financing Activities	<u>398,861</u>
Cash Flows from Investing Activities:	
Interest received	4,017
Dividends received	10,131
Net Cash Provided (Used) from (for) Investing Activities	<u>14,148</u>
Net Increase (Decrease) in Cash and Equivalents	375,895
Cash and Cash Equivalents at Beginning of Year	1,784,945
Cash and Cash Equivalents at End of Year	<u>\$ 2,160,840</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 380,929
Depreciation	174,761
(Increase) decrease in:	
Receivables - trade	(55,810)
Prepaid expenses	420
Increase (decrease) in:	
Accounts payable	(537,809)
Accrued liabilities	129
Rent deposits	266
Net Cash Provided by Operating Activities	<u>\$ (37,114)</u>
Reconciliation of Total Cash:	
Current assets-cash	\$ 1,665,937
Restricted assets-cash	494,903
Total Cash	<u>\$ 2,160,840</u>
Supplemental Disclosure:	
Cash paid for interest-	\$37,860

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

INTRODUCTION

The Southwest Allen Parish Water District No. 2 is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statute 33:3811, for the purpose of providing water to the rural area of Southwest Allen Parish. The District is governed by a board of commissioners composed of five compensated members appointed by the Allen Parish Police Jury. The District primarily provides water to residential customers but does provide water to the Town of Kinder, the Casino area and a State prison.

REPORTING ENTITY

This report includes all funds and account groups which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Southwest Allen Parish Water District No. 2 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Southwest Allen Parish Water District No. 2. The District is a component unit of the Allen Parish Policy Jury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Southwest Allen Parish Water District No. 2 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Governmental Audit Guide.

The financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Basis of Accounting

The District has implemented GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-For State and Local Governments*.

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. The principal operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, then unrestricted resources as they are needed.

B. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Southwest Allen Parish Water District No. 2's investment policy allow the District 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.

C. Prepaid Items

The District records as prepaid expenses amounts paid in the current year that benefit future periods.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Accounts Receivable

An allowance for doubtful accounts is computed under the allowance method, based upon historical data and management’s estimates of uncollectible accounts. The provision for doubtful accounts at December 31, 2019, was \$2,469.

Receivables at December 31, 2019 consist of the following:

Customers, net	\$	192,675
Total	\$	192,675

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District’s ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

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 applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of December 31, 2019, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Southwest Allen Parish Water District No. 2 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Building	27 years
Distribution system.....	10-50 years
Furniture & fixtures.....	5-7 years
Equipment	5-10 years

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

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

G. Compensated Absences

The District's leave policy does not provide for the accumulation and vesting of leave.

H. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

I. Net Position

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

At December 31, 2019, the District has cash and cash equivalents (book balances) totaling as follows:

Interest-bearing demand deposits	\$ 2,029,172
Non-Interest-bearing demand deposits	131,268
Other	400
	Total <u>\$ 2,160,840</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. 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 bank. These securities are held by the pledging financial institution's trust department or agent, in the District's name. At December 31, 2019, the District has \$2,152,198 in deposits (collected bank balances). These deposits are secured from risk by \$750,000 of federal deposit insurance and \$2,118,815 of pledged securities held by the pledging financial institution's trust department or agent, in the District's name.

NOTE 3 - INVESTMENTS

Deposits held by LAMP at December 31, 2019, consist of \$119,522 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds (LAMP is a 2a7-like investment pool) and therefore not evidenced by securities that exist in physical or book entry form. Also, pooled investments are excluded from the concentration of credit risk 5 percent disclosure requirement and foreign currency risk is not applicable to 2a7-like pools.

LAMP is administrated by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. LAMP is not registered with the SEC as an investment company. LAMP's annual financial statements can be obtained from the Louisiana Legislative Auditor's website.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Continued)

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted-average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At December 31, 2019, the weighted-average yield on the deposits at LAMP was 1.71% and the weighted-average maturity cannot exceed 90 days. The weighted-average maturity for LAMP's total investments was 46 days as of December 31, 2019. LAMP is rated AAAM by Standard & Poors. The District does not have credit or interest rate risk policies for investments.

NOTE 4 - FIXED ASSETS

A summary of fixed assets at December 31, 2019 follows:

	Beginning of Year	Capital Acquisitions	Dispositions	End of Year
Capital assets, not being depreciated				
Land	\$ 56,243	\$ -	\$ -	\$ 56,243
Construction in progress	994,303	1,846,715	213,270	2,627,748
Total capital assets, not being depreciated	<u>56,243</u>	<u>1,846,715</u>	<u>-</u>	<u>2,683,991</u>
Capital assets being depreciated				
Building	117,569	-	-	117,569
Distribution system	4,898,630	221,469	-	5,120,099
Furniture, fixtures, & equipment	402,594	23,799	-	426,393
Total capital assets being depreciated	<u>5,418,793</u>	<u>245,268</u>	<u>-</u>	<u>5,664,061</u>
Accumulated depreciation	(3,036,976)	(174,760)	-	(3,211,736)
Total capital assets being depreciated, net	<u>\$ 2,438,060</u>	<u>\$ 1,917,223</u>	<u>\$ -</u>	<u>\$ 5,136,316</u>

Depreciation expense was \$174,761 for the year ended December 31, 2019.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS

NOTE 5 - COMPONENTS OF RESTRICTED ASSETS

The customer deposit account had a balance of \$28,140 at December 31, 2019. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$22,112 at December 31, 2019.

The District was required by the bond covenants of the Water Revenue Bonds, Series 2010B and Water Revenue Bonds, Series 2018 to establish accounts for the bond principle and interest payments, construction, and any future maintenance on the new water well (Series 2010B) and water system improvements (Series 2018). The Revenue Bond Debt Service Fund had a balance of \$131,268 at December 31, 2019. The account is restricted for the use of bond payments. The Revenue Bond Debt Service Reserve Fund had a balance of \$46,477 at December 31, 2019. The account is restricted for the use of bond payments, if ever necessary. The Depreciation and Contingency Fund had a balance of \$275,933 at December 31, 2019. The account is restricted for extensions, additions, improvements, renewals and replacements to the System or for the payment of principal or interest on the Bonds if there is not sufficient money in the Debt Service or Reserve Fund. The construction account had a balance of \$13,085 at December 31, 2019. The account is restricted for water system improvement projects.

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN

The District sponsors a Simplified Employee Pension (SEP) Plan which is considered a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of New York Life Trust Company. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District contributes 10% of each participating employee's monthly gross salary. Eligibility requires the employee to have attained the age of eighteen (18) and are eligible immediately upon hire. The employees cannot contribute to the plan. Employer contributions were \$32,755 in 2019. Employee contributions were \$0 in 2019.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2019.

NOTE 8 - LONG-TERM OBLIGATION

The following is a summary of the long-term obligation transactions for the year ended December 31, 2019.

	<u>Bonded Debt</u>
Long-term obligations at Beginning of Year	\$ 609,860
Additions	1,935,325
Deductions	(118,000)
Long-term obligations at End of Year	<u>\$ 2,427,185</u>

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATION (Continued)

The following is a summary of 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, 2019.

	<u>Bonded Debt</u>
Current portion	\$ -
Long-term portion	2,427,185
Total	<u>\$ 2,427,185</u>

The bonds outstanding at December 31, 2019, includes a Utility Drinking Water Revolving Loan bond maturing in 2030 with an interest rate of 2.95%. Interest expense for 2019 was \$15,128. The original issue price of the bonds is \$696,500. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

The bonds outstanding at December 31, 2019, also includes a Utility Drinking Water Revolving Loan bond maturing in 2039 with an interest rate of 1.95%. Interest expense for 2019 was \$22,732. The original issue price of the bonds is \$4,000,000. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

The following schedules reflect the original bond amounts.

Bond	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
Water Revenue Bonds, Series 2010B	\$ 696,500	2.95%	January 1, 2030	\$ 218,272	\$ 403,500	Water Revenue
Water Revenue Bonds, Series 2018	\$ 4,000,000	1.95%	January 1, 2039	\$ 779,207	\$ 2,023,685	Water Revenue

The proceeds were used to pay costs of constructing and acquiring extensions and improvements to the water works system of the District, secured by and payable solely from the income and revenues derived or to be derived by the District from the operations of its waterworks system.

Year Ending December 31,	Principal Payments	Interest Payments	Total
2020	55,000	38,731	93,731
2021	177,000	75,557	252,557
2022	182,000	71,691	253,691
2023	186,000	67,728	253,728
2024	191,000	63,668	254,668
2025-2029	1,024,000	253,951	1,277,951
2030-2034	966,500	147,823	1,114,323
2035-2039	1,039,000	51,607	1,090,607
Total	<u>\$ 3,820,500</u>	<u>\$ 770,756</u>	<u>\$ 4,591,256</u>

The Water Revenue Bonds, Series 2010B issue qualifies for a federal subsidy of 35% of the interest paid on bond proceeds received on or before December 31, 2010.

The District is charged a service fee of .5% of the bond principal due with each bond payment.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - BOARD OF COMMISSIONERS' FEES

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during 2019 are as follows:

Katrena Rosas	\$ 400
Wayne Bell	400
Patrick Hayes	320
Patrick Lafargue	600
Kent Reed	320
Total	<u>\$ 2,040</u>

NOTE 10 - CONTINGENCIES AND COMMITMENTS

The District was awarded \$500,000 of Water Revenue Bonds, Series 2018 that will be forgiven in the form of a grant by the Louisiana Department of Health and Hospitals. During 2018, the District received the first portion of the debt forgiveness grant which totaled \$42,840. During 2019, the District received the remaining amount of the grant totaling \$457,160. In addition, the District was authorized \$3,500,000 in Water Revenue Bonds, Series 2018. As of December 31, 2019, the District has incurred \$2,106,685 of these bonds. The District is expected to incur and utilize the remaining bond money in 2020.

At December 31, 2019, the District had one construction contract in progress. The Distribution System Improvement construction contract is expected to have a total cost of \$3,061,430 and to be completed in April 2020.

NOTE 11 - SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through the date of the audit report, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, Louisiana

I 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 Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Southwest Allen Parish Water District No. 2's basic financial statements and have issued my report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. See items 2019-1 and 2019-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Allen Parish Water District No. 2's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwest Allen Parish Water District No. 2's Response to Findings

The Southwest Allen Parish Water District No. 2's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Southwest Allen Parish Water District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 of 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 16, 2020

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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

Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the Southwest Allen Parish Water District No. 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Southwest Allen Parish Water District No. 2's major federal programs for the year ended December 31, 2019. Southwest Allen Parish Water District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Southwest Allen Parish Water District No. 2's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southwest Allen Parish Water District No. 2's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Southwest Allen Parish Water District No. 2's compliance.

Opinion on Each Major Federal Program

In my opinion, the Southwest Allen Parish Water District No. 2, 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, 2019.

Report on Internal Control Over Compliance

Management of the Southwest Allen Parish Water District No. 2, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Southwest Allen Parish Water District No. 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Southwest Allen Parish Water District No. 2's 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 16, 2020

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Kinder, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

<u>Program Title</u>	<u>CFDA Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U.S. Department Of Environmental Protection Agency:				
Passed Through the State of Louisiana:				
* Capitalization Grants for Drinking Water State Revolving Funds	66.468	1/1/19 - 12/31/19	\$ 2,392,485	\$ 2,392,485
			<hr/>	<hr/>
Total federal assistance			<u>\$ 2,392,485</u>	<u>\$ 2,392,485</u>

*Denotes major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Allen Parish Water District No.2, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance). The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the guidance.

The amounts presented in this schedule do not differ from the amounts presented in or used in the preparation of the financial statements.

The balance of loan outstanding at December 31, 2019 for the State Revolving Loan Fund was \$2,023,685.

SOUTHEST ALLEN PARISH WATER DISTRICT NO. 2
A Component Unit of the Allen Parish Police Jury

Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2019

Agency Head Name: Patrick Lafargue

Purpose	Amount
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	600
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 Kinder, LA
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No	
Significant deficiency identified not considered to be material weaknesses?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No	

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No	
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> None reported	
Type of auditor’s report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	U.S. Department of Environmental Protection Agency Passed Through the State of Louisiana Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

2019 - 1 Segregation of Duties

Condition:	There is an inadequate segregation of duties at the District to provide effective internal control. The District employs a small number of people involved in day-to-day operations. This is a repeat finding.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	None
Response:	Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2019 - 2 Controls over Financial Reporting

Condition:	The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under United States Generally Accepted Auditing Standards, the auditing firm cannot be considered part of the District's internal control structure. This is a repeat finding.
Criteria:	The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasize that the auditor cannot be part of your system of internal control over financial reporting.
Effect:	Misstatements in financial statements could go undetected.
Recommendation:	None
Response:	Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The results of my tests disclosed no instances of non-compliance with the requirements applicable to each major federal award program that are required to be reported in accordance with the Uniform Guidance.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Kinder, Louisiana
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2019

2018-1 (Ongoing finding) Segregation of duties:

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.
See 2019-1.

2018-2 (Ongoing finding) Controls Over Financial Reporting:

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.
See 2019-2.

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AGREED-UPON PROCEDURES REPORT

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Southwest Allen Parish Water District No. 2 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 period January 1, 2019 through December 31, 2019. 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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 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.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) **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.

Observation: *The Purchasing Policy does not address item (2), how vendors are added to the vendor list.*

Management's Response: *The District will amend its purchasing policy to include item (2), how vendors are added to the vendor list.*

Written Policies and Procedures (Continued)

Observation: The District does not have written Ethics, Debt Service and Disaster Recovery/Business Continuity Policies.

Management's Response: The District will prepare and implement written Ethics, Debt Service and Disaster Recovery/Business Continuity policies.

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.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

There were no observations noted in the prior year's "Board or Finance Committee" testing, therefore the above procedures are not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - 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
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Bank Reconciliations (Continued)

Observation: *The sampled bank reconciliations did not include evidence that a member of management with no involvement in transactions associated with the bank statements has reviewed the bank reconciliations.*

Management's Response: *While management reviews the monthly bank reconciliations, no evidence (ex. manager initials) is made on the bank reconciliation itself. The Superintendent will resume initialing the bank reconciliations.*

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
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 that are 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 verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
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.

Collections (Continued)

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

Observation: *A cash drawer is shared by the three office employees.*

Management's Response: *Due to limited office space available devoted to collection of payments, management does not feel it is efficient to utilize additional cash drawers. As a compensating control, the cash register and drawer are balanced at the end of each day.*

Observation: *The Office Manager occasional collects cash and occasionally brings the deposit to the bank. This Office Manager also records the related transaction and reconciles the bank account.*

Management's Response: *Due to the limited number of office personal, management does not believe it is cost effective to remove this duty from the Office Manager's responsibilities. The Office Manager only serves as a payment collection backup when other office personnel are absent.*

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.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Non-Payroll Disbursements (Continued)

Observation: *The same individual who processes checks can also add a vendor into the accounting system.*

Management's Response: *Due to the limited amount of District employees, management feels this access is necessary as a backup in the event of an employee absence. As a compensating control, all disbursements are reviewed by the board at monthly board meetings.*

Observation: *Personnel that approve purchases occasionally also initiate purchases.*

Management's Response: *Due to the limited amount of office staff, management feels it is necessary for the person who processes payments to also be able to initiate a purchase. As a compensating control, all purchases are reviewed at monthly board meetings.*

Observation: *Personnel that process payments occasionally also mail the payments.*

Management's Response: *Due to the limited amount of office staff, management feels it is necessary for the person who processes payments to also be able to mail payments. As a compensating control, all bank statements are reviewed by the Superintendent.*

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:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, 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.

There were no observations noted in the prior year's "Credit Cards/Debit Cards/Fuel Cards/P-Cards" testing, therefore the above procedures are not applicable.

Travel and Travel-Related Expense Reimbursements

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:
- 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 #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no observations noted in the prior year's "Travel and Travel-Related Expense Reimbursements" testing, therefore the above procedures are not applicable.

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:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no observations noted in the prior year's "Contracts" testing, therefore the above procedures are not applicable.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no observations noted in the prior year's "Payroll and Personnel" testing, therefore the above procedures are not applicable.

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 that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There were no observations noted in the prior year's "Ethics" testing, therefore the above procedures are not applicable.

Debt Service

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

There were no observations noted resulting from the application of these procedures.

Other

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

There were no observations noted in the prior year's "Other" testing, therefore the above procedures are not applicable.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

Steven M. DeRouen & Associates

March 16, 2020
Lake Charles, Louisiana