

**ST. TAMMANY PARISH  
WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

Annual Financial Statements

December 31, 2019 and 2018



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## Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Water District No. 2  
Covington, Louisiana

### Report on Financial Statements

We have audited the accompanying financial statements of St. Tammany Parish Water District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, which comprise the statements of net position as of December 31, 2019 and 2018, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, 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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 5, 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, on our consideration of St. Tammany Parish Water District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA  
June 9, 2020

**REQUIRED SUPPLEMENTARY INFORMATION**

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Management's Discussion and Analysis**

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The Management's Discussion and Analysis of St. Tammany Parish Water District No. 2's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2019. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**Financial Highlights**

The District's assets exceeded its liabilities at the close of fiscal year 2019 by \$1,619,582, which represents a 9% increase from last fiscal year. Of this amount, \$929,451 (unrestricted net position) may be used to meet the District's ongoing obligations to its users.

The District's operating revenue increased by \$34,542 (or 4%). Operating expenses decreased by \$11,345 (or 1%). As a result, the District had net operating income of \$96,845 for 2019 as compared to net operating income of \$50,958 for 2018.

**Overview of the Financial Statements**

These financial statements consist of two sections: Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the statements of net position; the statements of revenues and expenses; the statements of changes in net position; and the statements of cash flows.

The statements of net position present the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of revenues and expenses and the statements of changes in net position present information showing how the District's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows present information showing how the District's cash changed as a result of current year operations. The statements of cash flows are prepared using the direct method and include the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by Governmental Accounting Standards Board (GASB) 34.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Management's Discussion and Analysis**

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**Financial Analysis of the District**

**Summary Statements of Net Position**

	<b>2019</b>	2018
Current and Restricted Assets	<b>\$ 1,527,580</b>	\$ 1,369,600
Capital Assets, Net	<b>1,494,472</b>	1,583,447
Other Assets	<b>200</b>	200
<b>Total Assets</b>	<b>3,022,252</b>	2,953,247
Current and Other Liabilities	<b>232,670</b>	218,298
Long-Term Debt Outstanding	<b>1,170,000</b>	1,255,000
<b>Total Liabilities</b>	<b>1,402,670</b>	1,473,298
<b>Net Position</b>		
Net Investment in Capital Assets	<b>402,334</b>	424,687
Restricted	<b>287,797</b>	294,209
Unrestricted	<b>929,451</b>	761,053
<b>Total Net Position</b>	<b>\$ 1,619,582</b>	\$ 1,479,949

Restricted net position represents those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position represents those assets that do not have any limitations on their use.

The District's net position increased by \$139,633 from December 31, 2018 to December 31, 2019.

**Summary Statements of Revenues and Expenses**

	<b>2019</b>	2018
Operating Revenue	<b>\$ 873,468</b>	\$ 838,926
Operating Expenses	<b>776,623</b>	788,237
Net Operating Income (Loss)	<b>96,845</b>	50,689
Non-Operating Revenue, Net	<b>42,788</b>	76,698
<b>Change in Net Position</b>	<b>\$ 139,633</b>	\$ 127,387



**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Management's Discussion and Analysis**

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**Capital Assets and Debt Administration**

**Capital Assets**

As of December 31, 2019, the District had \$1,494,472, net of accumulated depreciation, invested in a broad range of capital assets, including land, rights of way, plant and distribution system, and furniture and equipment. (See table below.) This amount represents a net decrease (including additions and deductions) of \$88,975, or 6%, over last year. This decrease was due to current year depreciation.

	<b>2019</b>	2018
Land	\$ 88,379	\$ 88,379
Plant and Equipment	3,157,676	3,120,021
Construction in Progress	-	31,618
Less: Accumulated Depreciation	<u>(1,751,583)</u>	<u>(1,656,571)</u>
<b>Total Capital Assets</b>	<b><u>\$ 1,494,472</u></b>	<b><u>\$ 1,583,447</u></b>

**Debt**

The District had \$1,255,000 in bonds outstanding at December 31, 2019, compared to \$1,335,000 last year. A summary of this debt is shown in the table below:

	<b>2019</b>	2018
Public Improvement Bonds	<u>1,255,000</u>	1,335,000
<b>Total Debt</b>	<b><u>\$ 1,255,000</u></b>	<b><u>\$ 1,335,000</u></b>

**Contacting the District's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact A. J. Cigali, General Manager, 19432 Hwy. 36, Suite A, Covington, Louisiana 70433.

## **BASIC FINANCIAL STATEMENTS**

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Net Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 218,682	\$ 175,560
Ad Valorem Taxes Receivable, Net of Allowance of \$1,430 for 2019 and \$1,167 for 2018	66,742	104,881
Utility Customer Receivables, Net of Allowance of \$37,926 for 2019 and \$35,172 for 2018	67,351	68,599
Accrued Interest Receivable	557	557
Inventory	33,569	31,205
Prepaid Expenses	1,268	1,268
<b>Total Current Assets</b>	<b>388,169</b>	<b>382,070</b>
<b>Restricted Assets</b>		
Cash and Cash Equivalents	1,139,411	987,530
<b>Total Restricted Assets</b>	<b>1,139,411</b>	<b>987,530</b>
<b>Capital Assets</b>		
Plant and Equipment at Cost, Net	1,406,093	1,463,450
Construction in Progress	-	31,618
Land	88,379	88,379
<b>Total Capital Assets</b>	<b>1,494,472</b>	<b>1,583,447</b>
<b>Other Assets</b>		
Utility Deposits	200	200
<b>Total Other Assets</b>	<b>200</b>	<b>200</b>
<b>Total Assets</b>	<b>3,022,252</b>	<b>2,953,247</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Net Position (Continued)**  
**December 31, 2019 and 2018**

	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities (Payable from Unrestricted Assets)</b>		
Accounts Payable	6,983	15,003
Accrued Expenses	24,230	8,736
	<u>31,213</u>	<u>23,739</u>
<b>Total Current Liabilities (Payable from Unrestricted Assets)</b>		
	<u>31,213</u>	<u>23,739</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Accrued Interest on Bonds	12,654	13,368
Meter Deposits	103,803	101,191
Current Maturities of Bonds Payable	85,000	80,000
	<u>201,457</u>	<u>194,559</u>
<b>Total Current Liabilities (Payable from Restricted Assets)</b>		
	<u>201,457</u>	<u>194,559</u>
<b>Long-Term Debt, Net of Current Maturities</b>		
Public Improvement Bonds Payable	1,170,000	1,255,000
	<u>1,170,000</u>	<u>1,255,000</u>
<b>Total Long-Term Debt</b>		
	<u>1,170,000</u>	<u>1,255,000</u>
<b>Total Liabilities</b>		
	<u>1,402,670</u>	<u>1,473,298</u>
<b>Net Position</b>		
Net Investment in Capital Assets	402,334	424,687
Restricted	287,797	294,209
Unrestricted	929,451	761,053
	<u>1,619,582</u>	<u>1,479,949</u>
<b>Total Net Position</b>		
	<u>\$ 1,619,582</u>	<u>\$ 1,479,949</u>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Revenues and Expenses**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Operating Revenue</b>		
Water Revenue	\$ 800,501	\$ 770,587
Tap and Connect Fees	64,906	62,295
Other Revenue	8,061	6,044
<b>Total Operating Revenue</b>	<b>873,468</b>	<b>838,926</b>
<b>Operating Expenses</b>		
Salaries	315,194	292,665
Depreciation	95,012	122,960
Employee Benefits	82,319	79,000
Utilities and Telephone	43,587	42,862
Repairs and Maintenance	36,739	29,175
Legal and Professional	35,078	33,010
Insurance	33,572	30,743
Operating Supplies	28,166	44,595
Other	26,501	29,092
Payroll Taxes	24,103	23,181
Rent	17,068	17,642
Director Fees	9,990	9,750
Postage and Office Supplies	9,221	8,473
Truck Expenses	8,177	7,871
Parish Assessment Expense	6,595	6,591
Bad Debt Expense	2,754	9,099
Uniforms	1,632	1,201
Travel, Conferences, and Conventions	315	327
<b>Total Operating Expenses</b>	<b>776,623</b>	<b>788,237</b>
<b>Net Operating Income</b>	<b>96,845</b>	<b>50,689</b>
<b>Non-Operating Revenue (Expense)</b>		
Ad Valorem Taxes	70,229	114,303
Impact Fees	8,400	3,600
Interest Income	3,403	1,865
Interest Expense	(39,244)	(43,070)
<b>Total Non-Operating Revenue, Net</b>	<b>42,788</b>	<b>76,698</b>
<b>Change in Net Position</b>	<b>\$ 139,633</b>	<b>\$ 127,387</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Changes in Net Position**  
**For the Years Ended December 31, 2019 and 2018**

	<b>2019</b>	2018
<b>Net Position, Beginning of Year</b>	<b>\$ 1,479,949</b>	\$ 1,352,562
Change in Net Position	<u>139,633</u>	<u>127,387</u>
<b>Net Position, End of Year</b>	<b><u>\$ 1,619,582</u></b>	<b><u>\$ 1,479,949</u></b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 874,716	\$ 831,692
Payments to Suppliers	(294,482)	(280,932)
Payments to Employees and Payroll Taxing Agencies	(382,019)	(375,605)
<b>Net Cash Provided by Operating Activities</b>	<b>198,215</b>	<b>175,155</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Net Receipts from Meter Deposits	2,612	1,813
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>2,612</b>	<b>1,813</b>
<b>Cash Flows from Capital Financing Activities</b>		
Principal Paid on Bonds	(80,000)	(123,000)
Interest Paid on Bonds	(39,958)	(44,615)
Proceeds from Ad Valorem Taxes	108,368	115,727
Proceeds from Impact Fees	8,400	3,600
Purchase of Capital Assets	(37,655)	(6,823)
Net Decrease (Increase) in Construction in Progress	31,618	(31,618)
<b>Net Cash Used in Capital Financing Activities</b>	<b>(9,227)</b>	<b>(86,729)</b>
<b>Cash Flows from Investing Activities</b>		
Interest Received on Investments	3,403	1,865
<b>Net Cash Provided by Investing Activities</b>	<b>3,403</b>	<b>1,865</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>195,003</b>	<b>92,104</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,163,090</b>	<b>1,070,986</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,358,093</b>	<b>\$ 1,163,090</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities</b>		
Net Operating Income	\$ 96,845	\$ 50,689
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Bad Debt Expense	2,754	9,099
Depreciation	95,012	122,960
Increase in Utility Customer Receivables	(1,506)	(16,333)
(Increase) Decrease in Inventory	(2,364)	5,581
(Decrease) Increase in Accounts Payable	(8,020)	7,099
Increase (Decrease) in Accrued Expenses	15,494	(3,940)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 198,215</b>	<b>\$ 175,155</b>

The accompanying notes are an integral part of these financial statements.



**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The accounting and reporting policies of St. Tammany Parish Water District No. 2 (the District) conform to accounting principles generally accepted in the United States of America applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (L.R.S.) and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the District's significant accounting policies:

**Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, the District is considered a component unit of St. Tammany Parish (the Parish) reporting entity because (1) commissioners of the District are appointed by the Parish and (2) the District provides water service to residents within the Parish. While the District is an integral part of the Parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of the District and do not present information on the Parish, the general government services provided by the Parish, or on other component units that comprise the St. Tammany Parish reporting entity.

**Fund Accounting**

The accounts of the District are organized on the basis of proprietary fund accounting used by governmental entities. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (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 the 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 accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statements of net position. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any 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, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

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's proprietary fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund 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.

**Cash, Cash Equivalents, and Investments**

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

The District defines cash and cash equivalents to include cash on hand, demand deposits, and all highly liquid investments with an original maturity of three months or less when purchased.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Utility Customer Receivables and Allowance for Doubtful Accounts**

Utility customer receivables on the accompanying statements of net position are for services provided through December 31<sup>st</sup> that have not yet been collected. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts totaled \$37,926 and \$35,172 at December 31, 2019 and 2018, respectively.

**Capital Assets**

All capital assets of the proprietary fund are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Pre-construction costs associated with the development of the water system, which include engineering, legal, and interest costs, are capitalized and will be amortized over their estimated useful lives using the straight-line method. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Building and Building Improvements	10 - 15 Years	Straight-Line
Machinery and Equipment (Plant)	5 - 40 Years	Straight-Line
Water Meters	10 - 30 Years	Straight-Line
Office Equipment	5 Years	Straight-Line
Transportation Equipment	5 - 7 Years	Straight-Line
Software	5 Years	Straight-Line
Leasehold Improvements	10 Years	Straight-Line

Depreciation and amortization expenses amounted to \$95,012 and \$122,960 for the years ended December 31, 2019 and 2018, respectively.

**Inventory**

Inventory is stated at the lower of cost or market using the first-in, first-out method.

**Federal Income Taxes**

The District is not subject to federal income taxes in accordance with Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, and political subdivisions.

**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 expenses during the reporting period. Actual results could differ from those estimates.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements**

The GASB issued Statement No. 87 (GASB 87), *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and a tangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the District for the fiscal year ending December 31, 2021.

**Note 2. Cash and Cash Equivalents**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2019, the District had \$296,459 in non-interest-bearing deposits. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$46,459 of pledged securities held in the name of the fiscal agent bank by a custodial bank that is mutually acceptable to both parties. At December 31, 2019, the District had \$1,079,862 in interest-bearing deposits. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$829,862 of pledged securities held in the name of the fiscal agent bank by a custodial bank that is mutually acceptable to both parties.

At December 31, 2019 and 2018, cash and cash equivalents for both current and restricted assets consisted of the following:

	2019	2018
Unrestricted	\$ 218,682	\$ 175,560
Restricted	1,139,411	987,530
<b>Cash on Hand and in Bank</b>	<b>\$ 1,358,093</b>	<b>\$ 1,163,090</b>

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 3. Restricted Assets**

Restricted cash and cash equivalents are as follows:

	2019	2018
Reserve Funds - Public Improvement Bonds	187,689	198,354
Proceeds of Public Improvement Bonds	77,862	96,242
Meter Deposits	105,272	103,316
Reserve for Impact Fees	196,293	187,098
Board-Designated Reserve	572,295	402,520
	<hr/>	<hr/>
<b>Total Restricted Assets</b>	<b>\$ 1,139,411</b>	<b>\$ 987,530</b>

**Note 4. Ad Valorem Taxes**

The District is authorized to levy a special ad valorem tax of 3.06 mills on all property subject to taxation to cover debt service requirements. The proceeds of this ad valorem tax are for the purpose of paying the principal and interest of the outstanding public improvement bonds.

The following is a roll-forward of ad valorem funds for the year ended December 31, 2019:

Beginning Cash and Investments	\$ 198,353
Plus: Ad Valorem Tax Receipts	108,368
Subtotal	<hr/> 306,721
Less: Interest Payments on Bonds	(39,032)
Principal Payments on Bonds	<hr/> (80,000)
<b>Ending Cash and Investments</b>	<b><hr/>\$ 187,689</b>

Ad valorem taxes that attach as an enforceable lien on property are levied each November 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real property, merchandise, and movable property located in the District. Billed taxes are delinquent on January 1<sup>st</sup> of each subsequent year. The St. Tammany Parish Tax Collector bills and collects the District's ad valorem taxes using the assessed value determined by the Tax Assessor of St. Tammany Parish, Louisiana as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed in 2016.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

**Note 5. Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

<b>December 31, 2019</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 88,379	\$ -	\$ -	\$ 88,379
Construction in Progress	31,618	6,037	(37,655)	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>119,997</b>	<b>6,037</b>	<b>(37,655)</b>	<b>88,379</b>
<b>Capital Assets Being Depreciated</b>				
Building	20,060	-	-	20,060
Building Improvements	39,432	-	-	39,432
Machinery and Equipment	2,342,290	37,655	-	2,379,945
Water Meters	547,923	-	-	547,923
Office Equipment	14,060	-	-	14,060
Transportation Equipment	94,170	-	-	94,170
Software	53,836	-	-	53,836
Leasehold Improvements	8,250	-	-	8,250
<b>Total Capital Assets Being Depreciated</b>	<b>3,120,021</b>	<b>37,655</b>	<b>-</b>	<b>3,157,676</b>
<b>Less Accumulated Depreciation for:</b>				
Building	(20,060)	-	-	(20,060)
Building Improvements	(25,628)	(3,943)	-	(29,571)
Machinery and Equipment	(1,052,336)	(67,760)	-	(1,120,096)
Water Meters	(447,051)	(5,065)	-	(452,116)
Office Equipment	(10,612)	(985)	-	(11,597)
Transportation Equipment	(55,650)	(11,733)	-	(67,383)
Software	(40,694)	(4,701)	-	(45,395)
Leasehold Improvements	(4,540)	(825)	-	(5,365)
<b>Total Accumulated Depreciation</b>	<b>(1,656,571)</b>	<b>(95,012)</b>	<b>-</b>	<b>(1,751,583)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,463,450</b>	<b>(57,357)</b>	<b>-</b>	<b>1,406,093</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,583,447</b>	<b>\$ (51,320)</b>	<b>\$ (37,655)</b>	<b>\$ 1,494,472</b>

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

**Note 6. Long-Term Debt**

The following is a summary of bond transactions of the District for the years ended December 31, 2019 and 2018:

	2019	2018
<b>Revenue Bonds</b>		
Bonds Payable at January 1 <sup>st</sup>	\$ -	\$ 43,000
Bonds Retired	-	(43,000)
<b>Bonds Payable at December 31st</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Public Improvement Bonds</b>		
Bonds Payable at January 1 <sup>st</sup>	\$ 1,335,000	\$ 1,415,000
Bonds Retired	(80,000)	(80,000)
<b>Bonds Payable at December 31st</b>	<b>\$ 1,255,000</b>	<b>\$ 1,335,000</b>

The following is a description of the bonds of the District for the years ended December 31, 2019 and 2018:

	2019	2018
<b>Public Improvement Bonds</b>		
\$815,000 General Obligation Bonds dated March 1, 2009; due in annual principal installments of \$5,000 - \$65,000, plus semi-annual interest payments through March 1, 2028, with interest at 4.0% - 7.0%, collateralized by ad valorem taxes.	\$ 490,000	\$ 530,000
\$985,000 General Obligation Bonds dated April 9, 2013; due in annual principal installments of \$35,000 - \$70,000, plus semi-annual interest payments through March 1, 2033, with interest at 1.0% - 2.75%, collateralized by ad valorem taxes.	765,000	805,000
<b>Total Public Improvement Bonds</b>	<b>\$ 1,255,000</b>	<b>\$ 1,335,000</b>

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

**Note 6. Long-Term Debt (Continued)**

The annual requirements to amortize all bonds outstanding as of December 31, 2019, including interest payments, are as follows:

Year Ending December 31,	Public Improvement Bonds		
	Principal	Interest	Total
2020	\$ 85,000	\$ 36,768	\$ 121,768
2021	90,000	34,268	124,268
2022	95,000	31,525	126,525
2023	95,000	28,625	123,625
2024 - 2028	570,000	90,316	660,316
2029 - 2033	320,000	21,113	341,113
<b>Total</b>	<b>\$ 1,255,000</b>	<b>\$ 242,615</b>	<b>\$ 1,497,615</b>

**Note 7. Net Position**

Net position for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Net Investment in Capital Assets	\$ 402,334	\$ 424,687
Restricted		
Restricted for Public Improvement Bonds	90,035	104,986
Restricted for Capital Improvements	196,293	187,098
Restricted for Meter Deposits	1,469	2,125
Unrestricted	929,451	761,053
<b>Total</b>	<b>\$ 1,619,582</b>	<b>\$ 1,479,949</b>



**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 8. Commitments**

The District entered into a ten-year lease for office space commencing on January 1, 2002, with monthly payments of \$966. The District renewed this lease for a five-year term commencing on December 31, 2012, with monthly payments of \$1,268. A second five-year renewal was entered into on December 31, 2017, with monthly payments of \$1,400. Rental expense totaled \$16,800 and \$16,933 for the years ended December 31, 2019 and 2018, respectively. The following are the scheduled future minimum rental payments under the new lease:

Year Ending December 31,	Amount
2020	\$ 16,800
2021	16,800
2022	<u>16,800</u>
<b>Total</b>	<b><u>\$ 50,400</u></b>

**Note 9. Water Rates**

The District charged the following water rates to each of its customers based on volume for each of the years ended December 31, 2019 and 2018:

<b>Residential</b>	
First 2,000 gallons	\$ 18.00
Over 2,000 gallons	\$ 3.75 per 1,000 gallons
<b>Commercial</b>	
First 2,000 gallons	\$ 30.00
Over 2,000 gallons	\$ 4.00 per 1,000 gallons

During 2019, the District served 1,832 customers.

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 10. Tax Abatement**

The District is affected by the Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP), which is an original state incentive program which offers an attractive tax incentive for manufacturers within the State. The program abates, up to ten years, local property taxes (ad valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. This exemption is granted per contract with the Louisiana Department of Economic Development and will specify the buildings and/or personal property items covered under the exemption. For the year ended December 31, 2019, the District has forgone \$3,858 in ad valorem taxes due to this abatement program.

**Note 11. Board Members' Per Diem Payments**

The following is a schedule of fees paid to board members during the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Pierre Fabre, Vice-President 73460 Military Road Covington, LA 70435	\$ 1,200	\$ 1,380
Lorraine Saba, Secretary-Treasurer 100 Magnolia Gardens Drive Covington, LA 70435	<b>5,070</b>	4,830
Julie Huhn, Commissioner 73482 Military Road Covington, LA 70435	<b>1,140</b>	1,080
Michael Stubbs, President 20470 Stubbs Lane Covington, LA 70435	<b>1,260</b>	1,380
Monique Stubbs, Commissioner 73181 Artesian Drive Covington, LA 70435	<b>1,320</b>	1,080
<b>Total</b>	<b>\$ 9,990</b>	<b>\$ 9,750</b>

**ST. TAMMANY PARISH WATER DISTRICT NO. 2  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 12. Subsequent Events**

In November 2019, the District made an agreement with Citizens Bank to refinance the 2008 General Obligation Bond with an interest rate of 2.40%, a decrease from the previous interest rate range of 4.00% to 7.00%. The District estimates a total net savings of \$50,660 from this transaction through decreased average annual debt service payments. The effective date of this new agreement is January 7, 2020.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

**OTHER SUPPLEMENTARY INFORMATION**

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Schedule of Compensation, Benefits, and Other Payments**  
**to Agency Head**  
**For the Year Ended December 31, 2019**

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**Agency Head**  
A.J. Cigali, General Manager

<b>Purpose</b>	<b>Amount</b>
Salary	\$36,946
Benefits - Insurance	\$24,242
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Water District No. 2  
Covington, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of St. Tammany Parish Water District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, 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, and have issued our report thereon dated June 9, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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.



A Professional Accounting Corporation

Covington, LA  
June 9, 2020

**ST. TAMMANY PARISH WATER DISTRICT NO. 2**  
**COVINGTON, LOUISIANA**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2019**

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**Part I - Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:  | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified?  | No         |
| c. Noncompliance material to the financial statements?                         | No         |
| 3. Management letter comment provided?   | None       |

Federal Awards

Not applicable.

**Part II - Findings Related to the Financial Statements**

None.



**AGREED-UPON PROCEDURES REPORT**  
St. Tammany Parish Water District No. 2

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

**For the Period of January 1, 2019 - December 31, 2019**

To the Board of Commissioners  
St. Tammany Parish Water District No. 2  
Covington, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of St. Tammany Parish Water District No. 2 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2019 through December 31, 2019, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for another purpose.

The procedures and associated results are as follows:

***Board (or Finance Committee, if applicable) (follow-up)***

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1. Obtain and inspect the entity's written policies and procedures over budgeting and observe that they address preparing, adopting, monitoring, and amending the budget.

**Results:** Obtained the entity's written policies and procedures over budgeting and noted that they addressed preparing, adopting, monitoring, and amending the budget.

### ***Payroll and Personnel (follow-up)***

---

1. Obtain and inspect the entity's written policies and procedures over payroll/personnel and observe that they address (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: We obtained the District's written policies and procedures over payroll/personnel and noted that they addressed (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.

2. Randomly select one pay period during the fiscal period. Obtain all employee/official 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).
  - 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.

Results: LaPorte obtained all employee attendance records and leave documentation for the second pay period in October 2019 and observed that (a) all employees documented their daily attendance and leave, (b) supervisors approved attendance and leave of all employees via their timesheets, and (c) any instances of leave accrued or taken during the pay period was reflected in the entity's cumulative leave records.

### ***Public Bid Law***

---

1. 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).

Results: Obtained a listing of locations that processed payments for 2019 and management's representation that the listing was complete. The District's office is the only location where payments were processed during 2019.

2. For each location selected under #1 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.

Results: Obtained the District's non-payroll disbursement transaction population and management's representation that the population was complete.

3. Aggregate the disbursements by vendor and select the 5 vendors that were paid the most money during the fiscal period (exclude vendor payments for professional service contracts and purchases on state contract).

Results: We aggregated the disbursements by vendor and selected the 5 vendors that were paid the most money during 2019, excluding vendor payments for professional service contracts and purchase on state contract.

4. Compare total payments for each vendor to the thresholds set in the Louisiana Public Bid Law (R.S. 38:2211-2296) or Procurement Code (R.S. 39:1551-39:1755), if adopted.

Results: Of the 5 vendors selected in #3 above, 4 had total payments above Louisiana Public Bid Law threshold of \$10,000.

5. For each vendor that met the legal thresholds in #4 above, obtained supporting vendor and entity documentation, and observe that purchases were bid in accordance with Louisiana Public Bid Law or Procurement Code, if adopted.

Results: Of the 4 vendors that met the legal thresholds in #4 above, none were used for purchases and/or projects for which Louisiana Public Bid Law was required to be followed.

### ***Debt Service***

---

1. Obtain and inspect the entity's written policies and procedures over debt service and observe that they address (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Obtained the District's written policies and procedures over debt service and noted that they addressed (1) through (4) above.

2. 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.

Results: There were no bonds/notes issued during 2019.

3. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Obtained a listing of bonds/notes outstanding as of December 31, 2019 and management's representation that the listing was complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by the debt covenants. No exceptions found.

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

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1. Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (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.

Results: The District does not have written policies and procedures over information technology disaster recovery/business continuity.

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

Results: We performed the procedure and discussed the results with management.

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

Results: We performed the procedure and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e., up-to-date).

Results: We performed the procedure and discussed the results with management.

## ***Sexual Harassment***

---

1. Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: Obtained the District's written sexual harassment policies and procedures and noted that they did not address annual employee training and annual reporting requirements. We also noted the policies and procedures did not include a general description of the investigation process (including requiring both the victim and accused to participate), a general description of possible disciplinary actions (including those for false accusers), or a statement apprising public servants on applicable federal and state laws, including the right to pursue a claim, all requirements of R.S. 42:342.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: Obtained a listing of all employees/elected officials/board members employed during 2019 and management's representation that the listing was complete. Randomly selected 5 employees/board members from the listing and obtained sexual harassment training documentation from management. Of the 5 individuals selected, all had completed at least one hour of sexual harassment training during 2019.

3. 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).

Results: Observed that the District has posted its sexual harassment policy and complaint procedure on its website.

4. 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.

Results: Obtained the entity's sexual harassment report for 2019 and observed that the report was dated before February 1 and included all the applicable requirements of R.S. 42:344.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively. 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.

This report is intended solely for the use of management of St. Tammany Parish Water District No. 2 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA

June 10, 2020

**WATER WORKS DISTRICT NO. 2**  
**PARISH OF ST. TAMMANY**

MICHAEL STUBBS  
President

PIERRE FABRE  
Vice-President

LORRAINE SABA  
Secretary-Treasurer

MONIQUE STUBBS  
Commissioner

JULIE HUHN  
Commissioner

Mr. Daryl Purpera  
Louisiana Legislative Auditor  
1600 N 3<sup>rd</sup> St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Act 774 Agreed-Upon Procedures

The management of the St. Tammany Parish Water District No. 2 wishes to provide the following responses relative to the results of the 2019 Act 774 agreed-upon procedures engagement:

- 1) In response to the results of the Information Technology Disaster Recovery/Business Continuity section, item #1, management will adopt written policies and procedures that include all elements as listed.
- 2) In response to the results of the Sexual Harassment, item #1, management will ensure that our written policies and procedures over sexual harassment will address annual employee training and annual reporting requirements. We will also include a general description of the investigation process, a general description of possible disciplinary actions, and a statement apprising public servants on applicable federal and state laws, including the right to pursue a claim.

Sincerely,



A.J. Cigali  
General Manager

**19432 Highway 36 – Suite A Covington, LA 70433**  
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