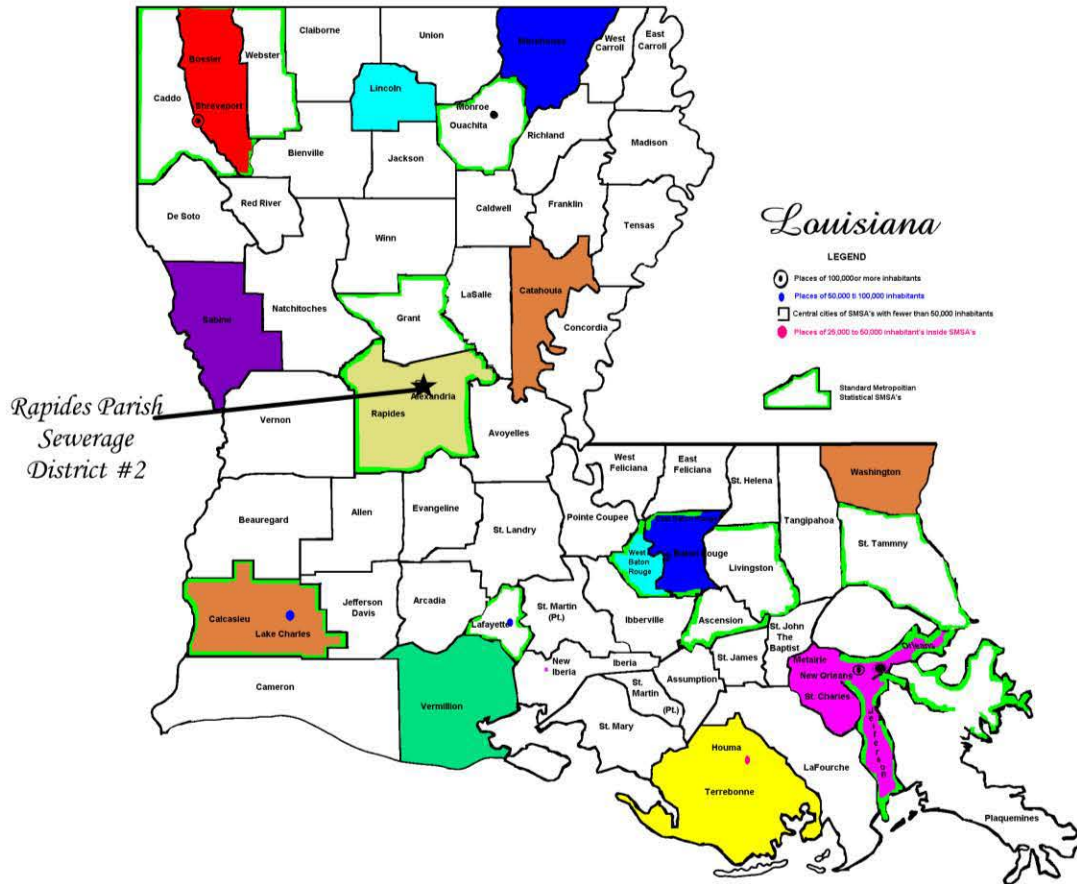


**RAPIDES PARISH SEWERAGE
DISTRICT NO. 2**

Basic Financial Statements

December 31, 2019

RAPIDES PARISH SEWERAGE DISTRICT #2 ALEXANDRIA, LOUISIANA



* The Rapides Parish Sewerage District was created by the Rapides Parish Police Jury, as authorized by Louisiana Revised Statute 33:381 to manage and operate sewerage systems within the District not served by municipal systems. The Sewerage District is administered by a board of three commissioners who are appointed by the Rapides Parish Police Jury.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 ALEXANDRIA, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rapides Parish Sewerage District No. 2, a component unit of the Rapides 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 Rapides Parish Sewerage District No. 2'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of the business-type activities of the Rapides Parish Sewerage 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rapides Parish Sewer District No. 2's basic financial statements. The accompanying other supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary schedule is the responsibility of management and was 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 our opinion, the other supplementary schedule is fairly stated and 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 12, 2020, on our consideration of the Rapides Parish Sewerage District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Rapides Parish Sewerage District No. 2's internal control over financial reporting and compliance.

The Vercher Group

Jena, Louisiana

June 12, 2020

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the District, we offer readers of the Rapides Parish Sewage District No. 2’s financial statements, this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the District’s audited financial statements.

The Management’s Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,420,199 (*net position*).

The District had total revenue of \$631,427 in its enterprise fund, including interest income of \$234.

Expenses totaled \$469,977, including depreciation expense in the amount of \$70,760, which is a non-cash transaction.

The change in net position of the enterprise fund was \$161,450.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The District is a special-purpose entity engaged in business-type and governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, December 31, 2004, the District adopted Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*.

MD&A

Table 1
Balance Sheet (*Enterprise Fund*)

The following table represents a Comparative Balance Sheet as of December 31, 2019:

Assets	2018	2019	% Change
Current Assets	\$ 489,230	\$ 472,986	-3.3
Restricted Assets	-0-	-0-	0.0
Capital Assets, Net	816,995	1,018,312	24.7
Total Assets	<u>1,306,225</u>	<u>1,491,298</u>	14.2
Liabilities & Net Position			
Current Liabilities	47,476	29,877	-37.1
Long-Term Liabilities	-0-	41,222	100.0
Total Liabilities	<u>47,476</u>	<u>71,099</u>	49.7
Net Position			
Net Investment in Capital Assets	816,995	977,090	19.6
Unrestricted	441,754	443,109	0.3
Total Net Position	<u>1,258,749</u>	<u>1,420,199</u>	12.8
Total Liabilities & Net Position	<u>\$ 1,306,225</u>	<u>\$ 1,491,298</u>	14.2

Table 2
Changes in Net Position (*Enterprise Fund*)

The following table reflects the Comparative Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2019:

	2018	2019	% Change
Revenues			
Operating Revenues	\$ 611,263	\$ 631,193	3.3
Non-Operating Revenues	961	234	-75.7
Total Revenues	<u>612,224</u>	<u>631,427</u>	3.1
Expenses			
Operating Expenses	457,807	469,977	2.7
Non-Operating Expenses	-0-	-0-	0.0
Total Expenses	<u>457,807</u>	<u>469,977</u>	2.7
Increase (Decrease) in Net Position	154,417	161,450	4.6
Prior Period Adjustment	5,355	-0-	-100.0
Beginning Net Position	<u>1,098,977</u>	<u>1,258,749</u>	14.5
Ending Net Position	<u>\$ 1,258,749</u>	<u>\$ 1,420,199</u>	12.8

MD&A

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At December 31, 2019, the District had \$1,018,312 invested in a broad range of capital assets, including the sewer system, leasehold improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$201,317, or 24.7% from last year.

Capital Assets at Year-End

	<u>2018</u>	<u>2019</u>
Sewer System, Machinery & Equipment*	\$ 1,943,145	\$ 2,215,222
Accumulated Depreciation	(1,126,150)	(1,196,910)
Total Capital Assets, Net	<u>\$ 816,995</u>	<u>\$ 1,018,312</u>

*Land in the amount of \$29,000 and construction in progress in the amount of \$121,742 are not being depreciated.

Long Term Debt

The following is a summary of payable transactions of the Rapides Sewerage District No. 2 for the year ended December 31, 2019.

	<u>2019 Sewer Revenue Bond</u>	<u>Total</u>
Beginning - Bonds & Notes Payable	\$ -0-	\$ -0-
Additions	41,222	41,222
Reductions	-0-	-0-
Ending - Bonds & Notes Payable	<u>\$ 41,222</u>	<u>\$ 41,222</u>

USING THIS ANNUAL REPORT

The District's annual report consists of financial statements that show information about the District's fund.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

MD&A

CONTACTING THE SEWER DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Rapides Parish Sewerage District No. 2's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Rapides Parish Sewerage District No. 2, 2826 Lee Street, Alexandria, Louisiana 71301, telephone number (318) 448-1332.

Basic Financial Statements

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Net Position
Proprietary Fund
December 31, 2019**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 397,999
Investments	54,057
Receivables (Net of Allowances for Uncollectables)	20,930
TOTAL CURRENT ASSETS	472,986
NON-CURRENT ASSETS	
Restricted Cash	-0-
Capital Assets (Net of Accumulated Depreciation)	1,018,312
TOTAL NON-CURRENT ASSETS	1,018,312
TOTAL ASSETS	1,491,298
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	20,471
Accrued Wage/Payroll Taxes Payable	620
Unearned Revenue	8,786
TOTAL CURRENT LIABILITIES	29,877
NON-CURRENT LIABILITIES	
Bonds Payable	41,222
TOTAL NON-CURRENT LIABILITIES	41,222
TOTAL LIABILITIES	71,099
NET POSITION	
Net Investment in Capital Assets	977,090
Unrestricted	443,109
TOTAL NET POSITION	\$ 1,420,199

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Revenues, Expenses, & Changes in Net Position
Proprietary Fund
December 31, 2019**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
OPERATING REVENUES	
Service Charge	\$ 630,443
Miscellaneous Revenue	750
TOTAL OPERATING REVENUES	631,193
OPERATING EXPENSES	
Salaries & Related Payroll Taxes	17,439
Advertising	3,301
Bank Fees	49
Contract Labor	135,495
Dues, Subscriptions, and Permits	7,652
Engineering Fees	1,033
Equipment Rental	1,185
Insurance	11,217
Legal and Accounting	62,759
Office and Postage	7,497
Rental Expense	2,400
Repairs and Maintenance	99,036
Bad Debt Expense	5,021
Telephone	1,236
Utilities	42,839
Miscellaneous Expense	1,058
Depreciation	70,760
TOTAL OPERATING EXPENSES	469,977
OPERATING INCOME (LOSS)	161,216
NON-OPERATING REVENUES (EXPENSES)	
Interest Earnings	234
TOTAL NON-OPERATING REVENUES (EXPENSES)	234
CHANGE IN NET POSITION	161,450
TOTAL NET POSITION - BEGINNING	1,258,749
TOTAL NET POSITION - ENDING	\$ 1,420,199

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2019**

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 627,834
Receipts from Other Operating	750
Payments to Suppliers	(399,378)
Payments to Employees	(17,439)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	211,767
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(272,077)
Additions of Long-Term Debt	41,222
Interest Expense	-0-
Principal Payment on Long-Term Debt	-0-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(230,855)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	234
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	234
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(18,854)
CASH - BEGINNING OF YEAR	416,853
CASH - END OF YEAR	\$ 397,999
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	397,999
Restricted Cash	-0-
TOTAL CASH & CASH EQUIVALENTS	\$ 397,999

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2019**

Reconciliation

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ <u>161,216</u>
Depreciation Expense	70,760
(Increase) Decrease in Accounts Receivable	(2,610)
Increase (Decrease) in Accounts Payable	(17,600)
Increase (Decrease) in Accrued Wage/Payroll Taxes Payable	-0-
Increase (Decrease) in Deferred Revenue	<u>1</u>
TOTAL ADJUSTMENTS	<u><u>50,551</u></u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>211,767</u></u>
LISTING OF NONCASH INVESTING, CAPITAL, & FINANCIAL ACTIVITIES	
Contributions of Capital Assets From Government	\$ <u>-0-</u>

The accompanying notes are an integral part of this statement.

**Notes to the Basic
Financial Statements**

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Sewerage District No. 2 of Rapides Parish, Louisiana, has been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are described below.

Rapides Parish Sewerage District No. 2 was created by the Rapides Parish Police Jury, as authorized by Louisiana Revised Statute 33:381 to manage and operate sewerage systems within the District not served by municipal systems. The Sewerage District is administered by a board of three commissioners who are appointed by the Rapides Parish Police Jury.

At December 31, 2019, the District had approximately 1,601 customers.

For financial reporting purposes the District is a component unit of the Rapides Parish Police Jury, the governing body of the parish. The accompanying financial statements present financial information only on the funds and account groups maintained by Rapides Parish Sewerage District No. 2 and do not present information on the Police Jury and the general government services provided by that governmental unit or any of its other component units.

A. FUND FINANCIAL STATEMENTS

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

The District has only one fund, an enterprise fund.

An enterprise 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 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 or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

The entity reports the following major proprietary funds:

- Sewer Fund – The Enterprise Fund is the municipality’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Principal operating revenues are utility billings. 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 nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District utilizes the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded in accounts receivable.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

C. EQUITY CLASSIFICATIONS

In the government-wide financial statements, equity is classified as Net Position and displayed in three components as applicable. The components are as follows:

Net Investment in Capital Assets - Capital assets including restricted capital assets, when applicable, net of accumulated depreciation.

Restricted Net Position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

D. DEPOSITS & 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 district’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.

Investments (bank certificate of deposits in excess of 90 days) for the District are reported at fair value.

E. INVENTORIES

Inventories of materials and supplies are considered to be expenditures at the time purchased. Amounts on hand at the financial statement date are considered immaterial and therefore not included on the statements of assets and liabilities.

F. ACCOUNTS RECEIVABLE & ALLOWANCES FOR BAD DEBTS

Receivables consist of all revenues earned at year-end and not yet received. Business-type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

The allowance method is used to recognize bad debts of accounts receivable. The allowance is determined based upon past history and the aging of accounts receivable as of year-end. The allowance for bad debts at December 31, 2019 is \$27,278.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable columns in the basic financial statements. Capital assets are capitalized at historical cost. The district maintains a threshold level of \$1,500 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$-0-. Of this amount, \$-0- was included as part of the cost of capital assets under construction in connection with construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Sewer System	15-45 years
Equipment/Improvements	3-20 years

H. COMPENSATED ABSENCES

The only employees of the District are its Board of Commissioners and they do not receive any vacation, sick pay or any other benefits. Therefore, no accruals for compensated absences have been made in these financial statements.

I. LONG-TERM OBLIGATIONS

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

2. CASH & INVESTMENTS (CD'S IN EXCESS OF 90 DAYS)

At December 31, 2019, the District has cash and investments (bank balances) totaling \$467,271 as follows:

Demand deposits	\$	412,301
Time deposits		<u>54,970</u>
Total	\$	<u>467,271</u>

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

Deposits

It is the district's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

The district's deposits are categorized to give an indication of the level of risk assumed by the district at year end. The categories are described as follows:

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Category 1 – Insured or collateralized with securities held by the district or by its agent in the district’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the district’s name.

Category 3 – Uncollateralized.

Description	Market Value
FDIC (<i>Category 1</i>)	\$ 467,272
Securities (<i>Category 2</i>)	149,264
Total	\$ 616,536

Deposits were fully secured at year end.

3. ACCOUNTS RECEIVABLES

The receivables of \$20,930 as of December 31, 2019, are as follows:

Accounts Receivable	\$ 47,789
Accrued Interest Receivable	419
Allowance for Bad Debt	(27,278)
Total Receivables	\$ 20,930

4. CHANGES IN FIXED ASSETS – PROPRIETARY FUNDS

A summary of proprietary fund type property, plant and equipment at December 31, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Land*	\$ 19,500	\$ 9,500	\$ -0-	\$ 29,000
Sewerage System	1,923,645	140,835	-0-	2,064,480
Construction in Progress*	-0-	121,742	-0-	121,742
Accumulated Depreciation	(1,126,150)	(70,760)	-0-	(1,196,910)
Total Capital Assets, Net	\$ 816,995	\$ 201,317	\$ -0-	\$ 1,018,312

*Land in the amount of \$29,000 and construction in progress in the amount of \$121,742 are not being depreciated.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

5. ACCOUNTS PAYABLE

The payables of \$21,091 at December 31, 2019, were as follows:

Accounts Payable	\$	20,471
Accrued Wages/Payroll Taxes Payable		620
Total	\$	<u>21,091</u>

6. CHANGES IN LONG-TERM DEBT

The following is a summary of payable transactions of the Rapides Sewerage District No. 2 for the year ended December 31, 2019.

		<u>2019 Sewer Revenue Bond</u>		<u>Total</u>
Beginning - Bonds & Notes Payable	\$	-0-	\$	-0-
Additions		41,222		41,222
Reductions		-0-		-0-
Ending - Bonds & Notes Payable	\$	<u>41,222</u>	\$	<u>41,222</u>

Notes payables at December 31, 2019, are comprised of the following individual issues:

2019 Sewer Revenue Bond

\$2,485,000 sewer revenue bonds dated June 21, 2019, with the first payment received in the amount of \$41,221.63, due in yearly installments through August 2035; at interest rate of 0.95%.

	\$	41,222
Total	\$	<u>41,222</u>

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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

#1 USDA Loan Dated June 2019				
Year Ending December 31	Principal	Interest	Fees	Total
2020	\$ 113,000	\$ 206	\$ 229	\$ 113,435
2021	114,000	323	283	114,606
2022	116,000	836	644	117,480
2023	117,000	1,358	1,219	119,577
2024	118,000	1,885	1,801	121,686
2025 – 2029	606,000	17,478	17,920	641,398
2030 – 2034	635,000	31,383	33,295	699,678
2035 – 2039	131,000	8,000	8,566	147,566
Total	\$ 1,950,000	\$ 61,469	\$ 63,957	\$ 2,075,426

7. BOARD MEMBERS

The following is a list of board members for the year ended December 31, 2019:

		Term	Compensation
T. J. Speir Jr.	President	4 Years Expires October 12, 2022	\$5,400
John Miller	Secretary	4 Years Expires October 12, 2022	\$5,400
Calvin Malone	Board Member	4 Years Expires October 12, 2022	\$5,400

Board members receive \$150 per meeting.

8. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

9. LITIGATION

The District had no outstanding judgments or pending litigations as of December 31, 2019.

10. RISK MANAGEMENT

The District is exposed to risks of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. All previous losses have not exceeded the insurance coverage.

11. RETIREMENT PLANS

The system does not offer its employees a retirement plan. All employees are in the social security system.

Other Supplemental Schedules

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

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

Rapides Parish Sewerage District No. 2
T. J. Speir, Jr.-Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 5,400
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (List any other here)	-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-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

See independent auditor's report.

Other Reports

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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*

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rapides Parish Sewerage 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 Rapides Parish Sewerage District No. 2's basic financial statements, and have issued our report thereon dated June 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rapides Parish Sewerage 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rapides Parish Sewerage District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rapides Parish Sewerage 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rapides Parish Sewerage District No. 2'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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana
June 12, 2020

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended December 31, 2019**

We have audited the basic financial statements which collectively comprise the Rapides Parish Sewerage District No. 2 as of and for the year ended December 31, 2019, and have issued our report thereon dated June 12, 2020. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section I Summary of Auditor's Results

Our audit of the financial statements as of December 31, 2019, resulted in an unmodified opinion.

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards – (Not Applicable)

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Type of Opinion on Compliance Unmodified Qualified
For Major Programs Disclaimer Adverse

Are the findings required to be reported in accordance with Uniform Guidance?

Yes No

c. Identification Of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
-----------------	--------------------------------------

Dollar threshold used to distinguish between Type A and Type B Programs: \$

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended December 31, 2019**

Section II Financial Statement Findings

No findings to report.

Section III Federal Awards Findings and Questioned Costs.

Not applicable.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION
FOR CURRENT YEAR AUDIT FINDINGS**

FINDINGS:

No findings to report.

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MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are findings noted for improvement, our recommendation for improvement and the District's plan for corrective action.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

No comments.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Rapides Parish Sewerage District No. 2 has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended December 31, 2018.

PRIOR YEAR FINDINGS

2018-1 Policies and Procedures Manual (Resolved)

Condition: The District does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, or debt service.

Criteria: Good internal controls require that a District have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, and debt service.

Cause of Condition: Not having written policies and procedures.

Potential Effect of Condition: Significant internal control deficiency.

Recommendation: The District should prepare a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, and debt service.

Client Response: The District is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics and debt service.

2018-2 Annual Filing of Financial Statements (Resolved)

Condition: The District did not timely file their financial statements with the Legislative Auditor.

Criteria: LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end closing.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

PRIOR YEAR FINDINGS (CONTINUED)

Cause of Condition: Not having the financial statements completed on time.

Potential Effect of Condition: Compliance finding and a freeze on grant funding.

Recommendation: The District should have their audit completed in time to file with the Legislative Auditor's Office within six months of the District's year end closing.

Client Response: The District will have their audit completed in time to file with the Legislative Auditor's Office within six months of the District's year end closing.

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AGREED-UPON PROCEDURES REPORT

Rapides Parish Sewerage District No. 2

Independent Accountant's Report

On Applying Agreed-Upon Procedures

For the Period of January 1- December 31, 2019

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

To the Rapides Parish Sewerage District No. 2 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Rapides Parish Sewerage 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 fiscal 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, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe 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 District has a written policies and procedures manual that addresses all of the above items.

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 unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation:

- A) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date with an electronically logged date.**
- B) Bank reconciliations do not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.**

Exception: Bank reconciliations do not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Management's Response: The District will start having a board member who does not handle cash, post ledgers, or issue checks review and initial the bank reconciliations.

C) Management does not have any reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections (excluding EFTs)

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).

Observation: We obtained the listing and management's representation that the listing is complete.

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.

Observation:

A) Inquiry found that the two persons responsible for cash collections do not share cash drawers/registers.

B) The same person responsible for collecting cash is also responsible for making deposits and reconciling collection documentation.

Exception: The person responsible for making deposits and reconciling collection documentation also collects cash.

Management's Response: The District does not have enough employees to implement this procedure.

C) The same person responsible for collecting cash also posts collection entries to the general ledger.

Exception: The same person responsible for collecting cash also posts collection entries to the general ledger.

Management's Response: The District does not have enough employees to implement this procedure.

D) The same person responsible for collecting cash is also responsible for reconciling cash collections to the general ledger.

Exception: The same person responsible for collecting cash is also responsible for reconciling cash collections to the general ledger.

Management's Response: The District does not have enough employees to implement this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Observation: All employees and board members 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.
- 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) Receipts are sequentially prenumbered.

B) Traced receipts, system reports, and other relation collection documentation to the deposit slip.

C) Traced the deposit slip total to the actual deposit per the bank statement.

D) The deposits were made within one business day of receipt.

E) Traced the actual deposit to the bank statement to the general ledger.

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).

Observation: We obtained the listing and management's representation that the listing is complete.

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.

Observation:

- A) At least two persons are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.**
- B) At least two persons are involved in processing and approving payments to vendors.**
- C) The person responsible for processing payments is not prohibited from adding/modifying vendor files.**

Exception: The person responsible for processing payments is not prohibited from adding/modifying vendor files.

Management's Response: The District does not have enough employees to implement this procedure.

- D) The same person responsible for processing payments is also in charge of mailing the payments.**

Exception: The same person responsible for processing payments is also in charge of mailing the payments.

Management's Response: The District does not have enough employees to implement this procedure.

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.

Observation:

- A) The disbursements matched the related original invoice/billing statement.**
- B) The disbursement documentation included written evidence of segregation of duties tested under #9.**

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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 (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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

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

- 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). If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- b) 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).
- c) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: The District was not able to produce all of the required certificates for the employees/officials ethics training.

Exception: The District was only able to produce two of three required documentations to demonstrate employee/officials ethics training.

Management's Response: The District will ensure its employees/officials complete the required ethics training and obtain documentation and signature verification that each employee/official has read the entity's ethic policy.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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.

Observation: These procedures were performed in previous fiscal years with no exceptions.

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

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

The Vercher Group

Jena, Louisiana
June 12, 2020