

Varnado Waterworks District
Washington Parish Council
Varnado, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2022
With Supplemental Information Schedules
(with 2021 summarized comparative information)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Varnado Waterworks District
Washington Parish Council
Varnado, LA

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the business-type activities, of the Varnado Waterworks District, a component unit of Washington Parish Government, as of and for the year ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Varnado Waterworks District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Varnado Waterworks District, as of December 31, 2022, and 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Varnado Waterworks District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Varnado Waterworks District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Varnado Waterworks District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Varnado Waterworks District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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.

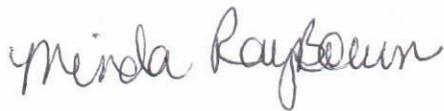
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Varnado Waterworks District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of insurance coverage, schedule of compensation paid to the Board of Commissioners, schedule of compensation, benefits, and other payments to the agency head, schedule of water rates, and schedule of water customers are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, based on my audit, the procedures performed as described above, the schedule of insurance coverage, schedule of compensation paid to the Board of Commissioners, schedule of compensation, benefits, and other payments to the agency head, schedule of water rates, and schedule of water customers are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2023 on my consideration of Varnado Waterworks District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Varnado Waterworks 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 Varnado Waterworks District's internal control over financial reporting and compliance.



Minda Raybourn CPA

Franklinton, LA

June 27, 2023

Financial Statements

Varnado Waterworks District
Statement of Net Position
As of December 31, 2022
(With Comparative Totals as of December 31, 2021)

	2022	2021
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 940,955	\$ 759,704
Investments	229,319	229,279
Receivables, Net		
Accounts	150,404	119,594
Intergovernmental	71,281	51,941
Prepaid Insurance	9,219	14,947
Total Current Assets	1,401,178	1,175,465
Restricted Assets:		
Restricted Cash and Cash Equivalents	228,652	216,132
Restricted Investments	-	-
Total Restricted Assets	228,652	216,132
Property, Plant, and Equipment		
Land	105,512	105,512
Construction in Progress	-	214,777
Property, Plant and Equipment, Net	5,893,537	4,699,597
Total Property, Plant, and Equipment	5,999,049	5,019,886
Total Assets	7,628,879	6,411,483
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	25,657	23,731
Other Accrued Payables	21,917	19,859
Total Current Liabilities (Payable From Current Assets)	47,574	43,590
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	91,670	86,765
Revenue Bonds Payable	85,000	83,000
Accrued Interest on Bonds Payable	13,828	14,733
Total Current Liabilities (Payable From Restricted Assets)	190,498	184,498
Long Term Liabilities:		
Bonds Payable	2,735,043	2,817,962
Total Long Term Liabilities	2,735,043	2,817,962
Total Liabilities	2,973,115	3,046,050
Net Position		
Investment in Capital Assets	3,179,006	2,118,924
Restricted for:		
Capital Activity and Debt Service	136,982	129,367
Unrestricted	1,339,776	1,117,142
Total Net Position	\$ 4,655,764	\$ 3,365,433

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

Varnado Waterworks District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Operating Revenues		
Water Sales	\$ 1,216,859	\$ 1,021,523
Installations	4,800	10,200
Penalties	21,135	20,116
Billing Fees	285,379	285,047
Reconnect Fees	4,450	4,150
Other	7,972	6,238
Total Operating Revenues	1,540,595	1,347,274
Operating Expenses		
Advertising	1,344	1,344
Bad Debts	2,671	1,586
Conventions & Seminars	2,811	1,072
Depreciation	288,402	244,407
Director's Fees	3,540	4,200
Employee Benefits	78,715	79,987
Insurance	67,988	51,721
Contract - Meter Specialist	27,385	26,703
Office Expense	23,536	20,513
Other	15,383	12,980
Payroll Taxes	32,116	33,713
Permits	20,200	20,301
Professional Fees	29,101	21,585
Repairs and Maintenance	148,238	124,594
Salaries and Wages	410,211	429,105
Supplies - Maintenance	14,408	22,720
Telephone	5,278	7,366
Uniforms	6,139	6,769
Utilities	101,241	89,472
Vehicle Expenses		
Fuel	15,618	15,722
Truck	775	861
Total Operating Expenses	1,295,100	1,216,721
Operating Income (Loss)	245,495	130,553
Nonoperating Revenues (Expenses)		
Unrealized Gain (Loss) on Investments	-	-
Realized Gain (Loss) on Investments	-	(768)
Interest Income	6,191	5,684
Interest Expense	(87,705)	(85,829)
Amortization Expense	(2,082)	(2,082)
Insurance Recoveries	-	37,650
Other Income	1,295	588
Capital Asset Transferred from Other Government	1,127,137	-
Total Nonoperating Revenues (Expenses)	1,044,836	(44,757)
Change in Net Position	1,290,331	85,796
Total Net Position, Beginning, Restated	3,365,433	3,279,637
Total Net Position, Ending	\$ 4,655,764	\$ 3,365,433

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

Varnado Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 1,204,339	\$ 1,014,602
Received for Customer Deposits and Connection Fees	4,905	7,940
Other Receipts	283,261	296,620
Payments for Operations	(507,120)	(470,024)
Payments to Employees	(488,926)	(509,092)
Net Cash Provided by Operating Activities	<u>496,459</u>	<u>340,046</u>
Cash Flows From Noncapital Financing Activities		
Other Receipts	<u>1,295</u>	<u>588</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,295</u>	<u>588</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Insurance Recoveries	-	37,650
(Payments for) Capital Acquisitions	(144,228)	(193,322)
Principal Payments of Long Term Debt	(83,000)	(81,000)
Interest Payments for Long Term Debt	(82,946)	(86,160)
Net Cash (Used) by Capital and Related Financing Activities	<u>(310,174)</u>	<u>(322,832)</u>
Cash Flows From Investing Activities		
Receipt of Interest	6,191	4,916
Proceeds from sale (Payments) for Investments	-	334,655
Net Cash Provided by Investing Activities	<u>6,191</u>	<u>339,571</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	193,771	357,373
Cash and Cash Equivalents, Beginning of Year	975,836	618,463
Cash and Cash Equivalents, End of Year	<u>\$ 1,169,607</u>	<u>\$ 975,836</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 940,955	\$ 759,704
Cash and Cash Equivalents, Restricted	<u>228,652</u>	<u>216,132</u>
Total Cash and Cash Equivalents	<u>\$ 1,169,607</u>	<u>\$ 975,836</u>

(Continued)

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

Varnado Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	12/31/22	12/31/21
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 245,495	\$ 130,553
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	288,402	244,407
(Increase) decrease in Accounts Receivable	(21,259)	(31,316)
(Increase) decrease in Due from Other Governments	(19,340)	(9,015)
(Increase) decrease in Prepaid Insurance	(5,728)	(5,529)
Increase (decrease) in Accounts Payable	1,926	3,549
Increase (decrease) in Accrued Expenses	2,058	(543)
Increase (decrease) in Customer Deposits	4,905	7,940
Net Cash Provided by Operating Activities	\$ 496,459	\$ 340,046

(Concluded)

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

Notes to the Financial Statements

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)

Introduction

Varnado Waterworks District was established in 1975, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for an eight-member governing board of commissioners appointed by the Washington Parish Council. The District currently serves a total of 1,742 customers as of December 31, 2022. The District's water wells are located approximately five miles north of the Bogalusa, Louisiana, city limits. The system lines run north to the Mississippi state line, south to the Bogalusa city limits, east to Pearl River, and approximately five miles west of Military Road. A project, funded by a loan and grant from the USDA Rural Development Office, was completed during 2008, which extended services to 289 customers in the "Pine Area."

Varnado Waterworks District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Varnado Waterworks District is considered a component unit of the Washington Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)

As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ended December 31, 2012. The District did not have any deferred outflows or inflows of resources at December 31, 2022.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I – Long-Term Debt Obligations*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

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 proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments for the District are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

**Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)**

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customers' meter deposits are also classified as restricted assets.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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>
Buildings	15 - 30 Years
Equipment and Furniture	5 - 7 Years
Utility System	20 - 30 Years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

Employees receive two weeks of paid vacation after being employed for one to five years, increasing up to six weeks of vacation for employees with twenty-one years or more service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue a half a day per month of employment for sick leave up to a maximum of 45 days.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)

I. Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)

acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. 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 amount 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 reported period. Actual results could differ from those estimates.

Varnado Waterworks District
Notes to the Financial Statements
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2. Cash and Cash Equivalents

At December 31, 2022 and 2021, the District has cash and cash equivalents (book balances) totaling, as follows:

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
Demand Deposits	\$ 558,492	\$ 400,109
Time & Savings Accounts	283,874	250,064
Money Market Accounts	245,262	245,046
Louisiana Asset Management Pool	<u>81,979</u>	<u>80,617</u>
Total Cash and Cash Equivalents	<u>1,169,607</u>	<u>975,836</u>
Certificates of Deposits Held in Investments (See Note 3)	<u>229,319</u>	<u>229,279</u>
Total Deposits	<u>\$ 1,398,926</u>	<u>\$ 1,205,115</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities 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.

At December 31, 2022, the District has \$969,418 in deposits (collected bank balances), consisting of \$584,045 in demand deposits within three separate banks and \$156,094 in time and savings accounts, and \$229,319 in certificates of deposits held as investments, within two separate banks. The demand deposits at Hancock Whitney Bank were not secured from risk. The collected bank balance totaled \$471,857. The bank did not have pledged securities in excess of the federal deposit insurance. Per Louisiana Revised Statute 39:1218, deposits over the federal deposit insurance limit are to be secured by collateral. The remaining demand deposits and the time and savings accounts from the two other banks are secured from risk by \$250,000 of federal deposit insurance. The District had \$21,732 in trust accounts that are insured separately. The certificate of deposits are held at two banks which are insured through federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Varnado Waterworks District
Notes to the Financial Statements
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At December 31, 2022, the District's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Certificates of Deposit:			
Citizens Savings Bank	March 9, 2023	\$ 10,000	\$ 10,000
Whitney National Bank	November 21, 2023	74,319	74,319
Citizens Savings Bank	October 13, 2026	45,000	45,000
Citizens Savings Bank	July 16, 2027	100,000	100,000
	Total	<u>\$ 229,319</u>	<u>\$ 229,319</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

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

The government and agency bonds are at recurring fair value measurements as of December 31, 2022. These were valued using quoted market prices (Level 1 inputs)

All money market accounts are secured by federal deposit insurance. These are stated at cost, which approximates market value.

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool (LAMP) at December 31, 2021, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. LAMP is subject to the regulator oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

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GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

1. Credit risk: LAMP is rated AAA by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 52 days as of December 31, 2022.
5. Foreign currency risk: Not applicable to 2a7-like pools.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc., is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

Varnado Waterworks District
Notes to the Financial Statements
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(with 2021 summarized comparative information)

4. Receivables

The following is a summary of receivables at December 31, 2022 and 2021:

	Year Ended December 31, 2022	Year Ended December 31, 2021	Increase (Decrease)
Accounts Receivable			
Current	\$ 105,519	\$ 96,689	\$ 8,830
31-60 Days Past Due	7,810	5,618	2,192
61-90 Days Past Due	4,507	4,303	204
Over 90 Days Past Due	6,024	4,104	1,920
Subtotal	<u>123,860</u>	<u>110,714</u>	13,146
Allowance for Uncollectible Accounts	<u>(12,483)</u>	<u>(9,812)</u>	<u>(2,671)</u>
Net Accounts Receivable	<u>\$ 111,377</u>	<u>\$ 100,902</u>	<u>\$ 10,475</u>
Accrued Billings	39,027	18,692	20,335
Due from Other Governments			
Due from Bogue Lusa Waterworks	54,883	40,520	14,363
Due (to) from Washington Gas District 1	16,398	11,421	4,977
Total Receivables	<u>\$ 221,685</u>	<u>\$ 171,535</u>	<u>50,150</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2022, accrued billings amounts were \$39,027, and \$18,692 at December 31, 2021.

Varnado Waterworks District
Notes to the Financial Statements
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5. Restricted Assets

The following is a summary of restricted assets at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Restricted Cash and Cash Equivalents		
Customer Deposits	\$ 96,906	\$ 110,178
Bond Reserve Account	46,220	49,277
Bond Contingency Account	-	-
Bond Sinking Account	85,526	56,677
Total Restricted Assets	\$ 228,652	\$ 216,132

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2022, is as follows:

	Beginning Balance 12/31/21	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/22
Capital Assets Being Depreciated				
Buildings	\$ 151,180	\$ -	\$ -	\$ 151,180
Equipment	369,169	56,695	-	425,864
Utility System	9,672,192	1,425,646	-	11,097,838
Vehicles	153,171	-	-	153,171
Total Capital Assets Being Depreciated	10,345,712	1,482,341	-	11,828,053
Less Accumulated Depreciation	(5,646,114)	(288,402)	-	(5,934,516)
Capital Assets Being Depreciated, Net	4,699,598	1,193,939	-	5,893,537
Land	105,512	-	-	105,512
Construction in Progress	214,777	77,491	(292,268)	-
Total Capital Assets, Net	\$ 5,019,887	\$ 1,271,430	\$ (292,268)	\$ 5,999,049

Equipment, furniture, and fixtures are depreciated using the useful lives of five to ten years, and the water distribution system uses a useful life of twenty to thirty years. All assets are depreciated under the straight-line method. Capital Assets decreased by approximately 25 percent or \$1,193,939 as a result of the following activity:,,

- 1) Improvements to the utility system of \$1,425,646
- 2) Various equipment purchased for \$56,695.
- 3) Net Increase to Accumulated Depreciation of \$288,402.

Bids for the Mitch Road well project was received and publicly opened on January 29, 2021 at the Washington Parish Government Office. The low bidder was Griner Drilling Service, Inc. for \$1,278,000. A change order was executed on April 7, 2021 for a decrease of \$75,752.50. The contract was decreased to \$1,202,947.50. The project will be funded with a Louisiana Community Development Block Grant for \$1,048,000. Funds will flow through to the Washington Parish Government. Construction costs will be paid by the Washington Parish Government using the grant funds. Any contract costs that are over the grant funds will be paid by the District. All engineering, testing, and administration costs will be paid by the District. During 2022, the funding at the parish level was

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reached. The District paid \$292,267 for engineering and construction costs. As of December 31, 2022, the project was placed in service for a total of \$1,419,404.

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2022:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
2011 Water Rev. Bond Refunding	93,000	-	(48,000)	45,000	45,000
2020 Water Revenue Refunding	2,860,000	-	(35,000)	2,825,000	40,000
Total Long-Term Debt	\$ 2,953,000	\$ -	\$ (83,000)	\$ 2,870,000	\$ 85,000
Less:					
Unamortized Discount	(52,039)	-	2,081	(49,958)	(2,082)
Total Long Term Debt	\$ 2,900,961	\$ -	\$ (80,919)	\$ 2,820,042	\$ 82,918

Bonds Payables as of December 31, 2022 and 2021 are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Revenue Bond \$ 462,000		
Water Revenue Bonds -Series 2011 Refunding sold to Rural Utility Service		
Dated 8/25/2011 due in annual installments of principal and semi-annual interest averaging		
\$ 48,439 through 3/1/2023 interest at 4.20%	45,000	93,000
Revenue Bond \$ 2,920,000		
Water Revenue Bonds -Series 2020 Refunding sold privately		
Dated 11/19/2020 due in annual installments of principal and semi-annual interest averaging		
\$ 54,281 through 11/1/2046 interest from 2% to 3%	2,825,000	2,860,000
	<u>\$ 2,870,000</u>	<u>\$ 2,953,000</u>

The annual requirements to amortize all debt outstanding as of December 31, 2022, including interest payments of \$1,172,683 are as follows:

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Year Ending	Series 2011	Series 2020	Total
12/31/22	Water	Water	
	Revenue	Revenue	
	Refunding	Refunding	
	\$ 462,000	\$ 2,920,000	
2023	\$ 45,945	121,911	\$ 167,856
2024	-	171,112	171,112
2025	-	169,312	169,312
2026	-	172,288	172,288
2027	-	170,152	170,152
2028 to 2032	-	840,487	840,487
2033 to 2037	-	841,400	841,400
2038 to 2042	-	842,200	842,200
2043 to 2047	-	678,000	678,000
	<u>\$ 45,945</u>	<u>\$ 4,006,862</u>	<u>\$ 4,052,807</u>

8. Flow of Funds, Restrictions on Use

As of December 31, 2022, the bond restrictions apply to parity bond obligations of outstanding bonds of Varnado Waterworks District and include two issues of Water Revenue Bonds, the Series 2011 Refunding Bonds and Series 2019 Refunding Bonds. Bond descriptions and covenants are as follows:

During the fiscal year ending December 31, 2009, construction was completed for the Pine Area system improvements. Interim financing totaling \$3,395,000 was obtained to finance the system improvements, with permanent financing to be provided by the USDA Rural Development Office. Interim financing was paid off March 29, 2007 by USDA Rural Development financing with a refunding totaling \$3,547,775. The payment of \$3,547,775 consisted of payoff of principal totaling \$3,395,000 plus \$152,775 accumulated interest, capitalized as construction period interest. The USDA Rural Development Office refunded the interim loan with the issuance of two Water Revenue Bonds, both dated March 29, 2007, and both issued at an annual interest rate of 4.125%.

The first bond issue totals \$651,000, and the second issue totals \$2,744,000, for a combined total of \$3,395,000. Both of the bond issues specify that the bond shall be payable over a forty (40) year period, with the first payment consisting of interest only which fell due on April 1, 2008 and will be paid thereafter in Four Hundred Eighty (480) consecutive monthly payments commencing May 1, 2008 and continuing through May 1, 2047 unless the principal amount hereof is prepaid in whole or in part in accordance with the terms set forth in the Bond Resolution. Each payment shall be applied first to the payment of accrued interest, and second to the payment of principal. For the issue totaling \$651,000, bond terms require a total monthly principal and interest payment of \$2,805.81, and for the \$2,744,000 bond issue a total monthly principal and interest payment of \$11,826.64. With the payoff of interim financing and the issuance of long-term financing provided by the USDA Rural Development, the District recorded a total of \$65,193 in bond issuance costs, to be amortized over the life of the bonds.

During the fiscal year ending December 31, 2011, the April 13, 1988, bonds originally issued at \$925,000 were refunded with a cash payment of \$522,045. Sources of funding were issuance of Series 2011 Water Refunding Bonds at \$462,000, plus the District provided funds of \$68,951 from the existing Reserve Fund, and \$57,531 from the existing Depreciation and Contingency Fund to complete the refunding transaction.

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Proceeds of the issue and funds provided by the District also provided for advance funding of \$46,200 to fully fund the Series 2011 Debt Reserve Fund, and \$20,237 to fund the costs of issuance and other costs. The Series 2011 Refunding Bonds, issued at annual interest rate of 4.2% on August 25, 2011, are payable in semi-annual installments for interest and annual installments of principal and mature on March 1, 2023.

During the year ending December 31, 2019, the District issued \$2,920,000 in Water Refunding Bonds, Series 2019 at a discount of \$56,202 with the purpose of refunding the outstanding USDA bonds and paying the costs of issuance. The bonds were sold to a private lender. These bonds maturing from November 1, 2024 to 2046 carry interest rates ranging from two to three percent and are payable in annual installments of principal and semi-annual installments of interest. The District refunded the outstanding \$551,495 Loan 07 and \$2,324,581 Loan 08 in USDA water revenue bonds with the Series 2019 bond proceeds and an additional \$108,639 from prior reserve fund. The District incurred and expensed \$95,133 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series in the year December 31, 2019.

Due to the refunding of debt, previous debt service of \$4,782,272 was replaced by debt service of \$4,331,311 after refunding, resulting in an increase in cash flow of \$450,691. A recap of net present value benefits and cash savings for the Water Revenue Refunding bonds, Series 2019 issue is presented below:

PV Analysis Summary (Gross to Gross) for Water Revenue Refunding Bonds, Series 2019

Gross PV Debt Service Savings	\$ 390,086
Transfers from Prior Issue DSR Fund	(108,639)
	\$ 281,447
Net PV Benefit / \$2,868,943 Refunded Principal	9.810%
Net PV Benefit / \$2,920,000 Refunding Principal	9.639%

Under the terms of the bond issue, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the District after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system. Total interest expense from all water revenue bonds equaled \$87,705 for the year ending December 31, 2022. The gross water revenue recognized during the current period was \$1,216,860.

Each of the water revenue bonds specify the establishment and maintenance of a separately identifiable fund or account designated as the "Water System Bond Revenue Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the Bonds and any Additional Parity Bonds, as they severally become due and payable, by transferring from the Revenue Fund to the agent of the Issuer, monthly on or before the 20th day of each month of each year, such proportionate amount of the principal and interest sufficient to make the Debt Service payment due on the next Interest Payment Date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments. Alternately, the fiscal agent has set up a payment schedule whereby the District makes payments directly to the debt service account in which payments are made from. This eliminates the need of the "Bond and Interest Sinking Fund" for the Series 2019 Bonds, but is required for the 2011 Series Refunding Bonds. At December 31, 2022, the 2011 Series Sinking Fund was fully-funded with a balance of \$63,795. At December 31, 2022 the 2019 Series Sinking fund was fully-funded with a balance of \$21,732.

Varnado Waterworks District
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Bond covenants for the Series 2011 Water Revenue Bonds also require funds be set aside into a “Water Revenue Bond Reserve Account”. The Series 2011 Debt Service Reserve Fund was fully funded with a deposit of \$46,200 at the bond closing on August 25, 2011. At December 31, 2022, the Series 2011 Debt Service Reserve Fund was fully funded at \$46,220.

At issuance of the Series 2019 Water Revenue Refunding bonds, an insurance policy was purchased to be drawn upon in the event there are not enough funds to cover the principal and interest payments as they become due. In the resolution of the 2019 Water Revenue Refunding Bonds, Series 2019 page three, paragraph three, states that the District will “fund a reserve fund for the bonds, via paying the cost of a reserve policy as defined in the bond resolution.” Therefore, no such account is needed for the 2019 Water Revenue Refunding Bonds.

A Depreciation and Contingency Fund is created to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system. Neither Water Revenue Refunding bonds, Series 2011 and Series 2019, require such funds.

As note, the Series 2019 Bonds were issued in parity with the Series 2011 Bonds. Both bond issues require the following covenants:

The Issuer, through its Governing Authority by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year, sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide “Net Revenues” at least equal to 120% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations of the system. “Net Revenues,” per applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system.

For the fiscal year ending December 31, 2022, Net Revenues were computed to be above the 120 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 325 percent.

9. Restricted and Designated Net Position

At December 31, 2022, Varnado Waterworks District recorded \$136,982, in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District’s funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Prior Period Adjustment

During the fiscal year 2022, it was noted that customer deposits were overstated \$23,413. This was a cumulative error over several years. As a result, the beginning net position was rested to reflect this adjustment. The change in net position in the prior period is as follows:

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2022
(with 2021 summarized comparative information)

Net position, beginning of year, as previously reported	\$ 3,342,020
Increase due to adjustment of customer deposit liability	<u>23,413</u>
Net position, beginning of year, as restated	<u>\$ 3,365,433</u>

11. Intergovernmental Agreement

The Varnado Waterworks District has a service agreement with the Bogue Lusa Water Works District and the Washington Parish Gas District Number One, also known as Varnado Gas District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for Bogue Lusa Water Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District, which is included in the administrative costs. Bogue Lusa Water Works is independently responsible for its meter reading expenses. The per customer monthly fee for Bogue Lusa Water Works for this service was \$3.77, and \$3.00 per customer per month for Varnado Gas District, payable monthly. The rate for Varnado Gas District includes \$2.35 for billing and \$0.65 per customer for meter reading.

Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District and Varnado Gas District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the other districts at an agreed-upon rate per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

For the fiscal year ending December 31, 2022, billing fees charged to Other Governments was \$267,529 for Bogue Lusa Water District, and \$17,850 charged to Washington Parish Gas District No. 1.

12. Litigation and Claims

There is no outstanding litigation at December 31, 2022.

13. Contingent Liabilities

There are no contingent liabilities at December 31, 2022.

14. Subsequent Events

Effective February 1, 2023, the effective base water rate for residential and commercial customers will increase by \$1.00. This is due to the increase of the operating expenditures of the District.

The financial statements considered subsequent events through June 27, 2023 the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2022.

Other Supplemental Information

Varnado Waterworks District
Budgetary Comparison Schedule
For the year ended December 31, 2022
(With Comparative Amounts for the Fiscal Year Ended December 31, 2021)

	2022	2022	Variance	2021
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating Revenues				
Water Sales	\$ 1,196,471	\$ 1,216,859	\$ 20,388	\$ 1,021,523
Installations	10,500	4,800	(5,700)	10,200
Penalties	21,085	21,135	50	20,116
Billing Fees	275,740	285,379	9,639	285,047
Reconnect Fees	6,000	4,450	(1,550)	4,150
Other	10,815	7,972	(2,843)	6,238
Total Operating Revenues	<u>1,520,611</u>	<u>1,540,595</u>	<u>19,984</u>	<u>1,347,274</u>
Operating Expenses				
Advertising	1,550	1,344	206	1,344
Bad Debts	-	2,671	(2,671)	1,586
Conventions & Seminars	2,812	2,811	1	1,072
Depreciation	265,000	288,402	(23,402)	244,407
Director's Fees	4,150	3,540	610	4,200
Employee Benefits	86,700	78,715	7,985	79,987
Insurance	63,172	67,988	(4,816)	51,721
Contract - Meter Specialist	28,292	27,385	907	26,703
Office Expense	28,652	23,536	5,116	20,513
Other	14,756	15,383	(627)	12,980
Payroll Taxes	34,400	32,116	2,284	33,713
Permits	20,500	20,200	300	20,301
Professional Fees	26,050	29,101	(3,051)	21,585
Repairs and Maintenance	201,123	148,238	52,885	124,594
Salaries and Wages	430,000	410,211	19,789	429,105
Supplies - Maintenance	35,000	14,408	20,592	22,720
Telephone	7,500	5,278	2,222	7,366
Uniforms	7,078	6,139	939	6,769
Utilities	97,913	101,241	(3,328)	89,472
Vehicle Expenses	16,276	16,393	(117)	16,583
Total Operating Expenses	<u>1,370,924</u>	<u>1,295,100</u>	<u>75,824</u>	<u>1,216,721</u>
Operating Income (Loss)	<u>149,687</u>	<u>245,495</u>	<u>95,808</u>	<u>130,553</u>
Nonoperating Revenues (Expenses)				
Realized Gain (Loss) on Investments	-	-	-	(768)
Interest Income	5,800	6,191	391	5,684
Interest Expense	(87,500)	(87,705)	(205)	(85,829)
Amortization Expense	-	(2,082)	(2,082)	(2,082)
Insurance Recoveries	-	-	-	37,650
Other Income	20,000	1,295	(18,705)	588
Capital Asset Transferred from Other Government	-	1,127,137	1,127,137	-
Total Nonoperating Revenues (Expenses)	<u>(61,700)</u>	<u>1,044,836</u>	<u>1,106,536</u>	<u>(44,757)</u>
Change in Net Position	<u>87,987</u>	<u>1,290,331</u>	<u>1,202,344</u>	<u>85,796</u>
Total Net Position, Beginning	<u>3,365,433</u>	<u>3,365,433</u>	<u>-</u>	<u>3,279,637</u>
Total Net Position, Ending	<u>\$ 3,453,420</u>	<u>\$ 4,655,764</u>	<u>\$ 1,202,344</u>	<u>\$ 3,365,433</u>

See independent auditor's report.

Varnado Waterworks District
Schedule of Insurance
For the year ended December 31, 2022

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Western Surety Company 18216102	Fidelity Bond Coverage:		11/16/2022 to 11/16/2023
	Employee Dishonesty	\$ 100,000	
	Forgery and Alteration	100,000	
	Theft, Disappearance	100,000	
	Computer Fraud	50,000	
National Union Fire Insurance Company GPPA-PF-6053997-03	Commercial General Liability:		2/28/2022 to 2/28/2023
	General Aggregate	3,000,000	
	Per Occurrence Limits	1,000,000	
	Damage to Premises Rented	1,000,000	
	Medical Expense Per Accident	10,000	
	Personal and Advertising Injury	1,000,000	
	Products-Completed Operations Aggregate	3,000,000	
	Public Officials and Management Liability	1,000,000	
	Commercial Property	2,866,342	
	Crime Coverage	100,000	
	Cyber Crime Liability	1,000,000	
	Business Auto:		
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Underinsured Motorists	1,000,000	
Comprehensive	As scheduled		
Collision	As scheduled		
Medical Payments	5,000		
Louisiana Workers Comp. 116143-A	Workers Compensation:		4/8/2022 to 4/8/2023
	Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See independent auditor's report.

Schedule 3

**Varnado Waterworks District
 Schedule of Compensation Paid to Board of Commissioners
 For the year ended December 31, 2022**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Freddie Jefferson, President (985) 986-2460	31110 School Road Angie, LA 70426	\$ 780	12/31/26
Ronald Owens, Commissioner (985) 735-6111	26183 Highway 21 Angie, LA 70426	780	12/31/24
Charles McDaniel, Commissioner (985) 515-4881	62488 Hamp Pigott Rd Bogalusa, LA 70427	420	12/31/25
Tommy Terrell, Commissioner (985) 848-5820	53668 Highway 62 Franklinton, LA 70438	780	12/31/27
Joe Lewis, Commissioner (985) 735-9863	64023 Recreation Center Road Angie, LA 70426	780	12/31/23
		\$ <u>3,540</u>	

See independent auditor's report.

Varnado Waterworks District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2022

Agency Head Name: Freddie Jefferson, President

<u>Purpose</u>	<u>Amount</u>
Per diem- Board Member	\$ 780

See independent auditor's report.

**Varnado Waterworks District
Schedule of Water Rates
For the year ended December 31, 2022**

Water			
Residential Rates		Commercial Rates	
\$ 27.00	-	First 2,000 Gallons	\$ 58.00
			-
		Per 1,000 Gallons of Water over 2,000 Gallons	4.00
			-
			Per 1,000 Gallons of Water over 15,000 Gallons

Water Rates for Pine			
Residential Rates		Commercial Rates	
\$ 28.50	-	First 5,000 Gallons	\$ 60.40
			-
		Per 1,000 Gallons of Water over 5,000 Gallons	4.00
			-
			Per 1,000 Gallons of Water over

See independent auditor's report.

**Schedule of Water Customers
as of December 31, 2022 and 2021**

	December 31, 2022	December 31, 2021	Increase (Decrease)
Customers			
Residential	1,712	1,729	(17)
Commercial	23	22	1
Schools	6	6	-
Prison	1	1	-
Total Customers	1,742	1,758	(16)

See independent auditor's report.

Minda B. Raybourn

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Member
LCPA

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*

To the Board of Commissioners
Varnado Waterworks District
Washington Parish Council
Varnado, LA

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of Varnado Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Varnado Waterworks District's basic financial statements and have issued my report thereon dated June 27, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Varnado Waterworks 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, I do not express an opinion on the effectiveness of Varnado Waterworks 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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

Compliance and Other Matters

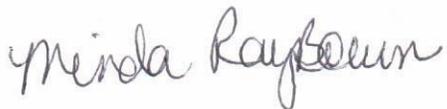
As part of obtaining reasonable assurance about whether the Varnado Waterworks District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as item 2022-001.

Varnado Waterworks District's Response

Varnado Waterworks District response to the findings identified in my audit is described in the accompanying schedule of findings and response. Varnado Waterwork District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Minda Raybourn". The signature is written in a cursive style.

Minda Raybourn CPA

Franklinton, Louisiana

June 27, 2023

Varnado Waterworks District, Louisiana
Schedule of Current Year Audit Findings
For the Year Ended December 31, 2022

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to the financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<i>Federal Awards - N/A</i>		
Was a management letter issued?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Varnado Waterworks District, Louisiana
Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2022

2022-001 Lack of Collateral on Bank Account

CONDITION: The District's main cash operating account did not have pledged securities from the banking institution. Collected bank balance as of December 31, 2022 was \$471,857. Federal deposit insurance coverage was \$250,000. The amount of uncollateralized cash was \$221,857.

CRITERIA: Louisiana law requires deposits over \$250,000, the FDIC insured limit, to be secured by collateral (R.S. 39:1218). The fiscal agent bank is required to deposit and maintain with an unaffiliated bank that security designated by R.S. 39:1221 (R.S. 39:1219).

CAUSE: Lack of monitoring of bank account balances with monthly pledge reports from banking institution.

EFFECT OF CONDITON: Noncompliance with state law. Risk of exposure of the District's cash accounts.

RECOMMENDATION: Each month, management should request pledge reports from each banking institution. The reports should be compared to the bank statement each month and amount of federal deposit insurance coverage to ensure compliance with state law and that the District's cash accounts are protected.

MANAGEMENT RESPONSE: The District will implement the recommendation before the end of the current fiscal year.

Varnado Waterworks District, Louisiana
Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2022

2021-001 Noncompliance with State Law on Sexual Harassment

CONDITION: The District employees and board members did not receive the one hour required training. The District did not file the required sexual harassment report.

CRITERIA: Per Louisiana R.S. 42:343, each public servant shall receive a minimum of one hour of education and training on preventing sexual harassment during each full calendar year of his or her public employment or term of office.

Per Louisiana R.S. 42:344, each agency head shall compile an annual report by February first of each year containing information from the previous calendar year regarding his or her agency's compliance with the applicable requirements of R.S. 42:344.

CAUSE: Unknown.

EFFECT OF CONDITION: Noncompliance with state law.

RECOMMENDATION: The District should put in place policies and procedures for agency responsibilities and prohibitions regarding sexual harassment, annual training, and annual reporting.

MANAGEMENT RESPONSE: The District will implement the recommendation before the end of the current fiscal year.

STATUS: Resolved.

Minda B. Raybourn

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners Varnado Waterworks District
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Varnado Waterworks District's (the "District") management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The entity does not have policies and procedures for 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.

The District does not use purchase requisitions or purchase orders. The District does not have policies and procedures on how vendors are added to the vendor list, and how purchases are initiated.

- c) **Disbursements**, including processing, reviewing, and approving.

No exceptions to this procedure.

- 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).

No exceptions to this procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

The District does not have policies and procedures for rate of pay or approval and maintenance of pay rate schedules.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The District does not have policies and procedures for types of services requiring contracts and standard terms and conditions.

- 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).

The District does not have policies and procedures for the required approvers of statements.

- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The District does not have policies and procedures for dollar thresholds by category of expense, documentation requirements, and required approvers.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

The District does not have policies and procedures in place for ethics prohibitions, ethics violations, systems to monitor ethics violations, and documentation requirements that the employees and officials are to be notified of any changes to the 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.

The District does not have policies and procedures for debt issuance approval and continuing disclosure/EMMA reporting requirements.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions to this procedure.

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

The District does not have policies and procedures for annual employee training and annual reporting.

Management's Response: We will implement the policies and procedures noted above before the end of the current fiscal year.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions to this procedure.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds *Alternately, for those entities*

reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

The minutes do not reference the budget to actual comparison but the financial statements are provided with copies of the previous month's minutes.

- 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.

This is not applicable.

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

The prior year audit findings were resolved.

Bank Reconciliations

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

The listing of bank accounts and management's representation were obtained. The main operating accounting and 4 additional accounts were selected.

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

No exception to this procedure.

- 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

Management/board members who do not handle cash, post ledger, or issue checks do not review each bank reconciliation. The external account prepares the bank reconciliations.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management does not have documentation it has researched reconciling items outstanding for more than 12 months.

Management's Response: We will research and document any outstanding checks more than 12 months old before the end of the current fiscal year.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A list of deposit sites and management's representation was obtained

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.

No exception to this procedure.

- 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.

The District has two full time office staff people and one part time office staff person. The same employee responsible for collecting cash may at times be responsible for preparing and making the bank deposit. The manager is responsible for reconciling collection documentation 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.

The District has an external accountant that posts collections to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

The District has an external accountant that posts collections to the general ledger.

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

No exception to this procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

There were no exceptions to procedures a through e.

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).

Management's representation was obtained. The entity has one location that processes payments.

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.

Dues to the size of the entity, all purchases are made by the manager. Any purchases over \$1000 will be approved by the board except in an emergency. In this case, the Board President will approve the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

The manager will prepare and process the payments. The board approves 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.

The board approves all new vendors to be added to the list.

- 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.

The manager and one board member sign checks. The mail is picked up at the District's office location.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

The manager can approve the electronic payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions to this procedure.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions to this procedure.

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

No exceptions to this procedure.

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

12. 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.

Management's listing of credit cards and management's representation was obtained. The District has one credit card.

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

The board is presented a listing of all bills to be paid at the monthly board meeting. The board approves the payments from this listing. This action is reflected in the meeting minutes.

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

No exceptions to this procedure.

14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions to this procedure.

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

15. 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:

The listing of travel expenses and management's representation were obtained.

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Reimbursement rate was under the rates established by the state and US GSA.

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

No exceptions to this procedure.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions to this procedure.

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

The board is presented a listing of all bills to be paid at the monthly board meeting. The board approves the payments from this listing.

Contracts

16. 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:

Management's listing and management's representations were obtained.

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions to this procedure.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

The contract for meter reading services was automatically renewed but was not approved by the board.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

This was not applicable.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

There were no exceptions to this procedure.

Management's Response: We will implement policies and procedures for contracts that automatically renew that before such time, the Board will review and approve the contract at the board meeting.

Payroll and Personnel

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

A listing and management's representation were obtained.

- 18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions to this procedure.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions to this procedure.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions to this procedure.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions to this procedure.

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

A listing was obtained and management's representation was obtained. One employee resigned. Hours paid for the cumulative leave agreed to the manual leave records. Pay rates agreed to the authorized pay rates.

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

No exceptions to this procedure.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions to this procedure.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions to this procedure.

- c. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions to this procedure.

Debt Service

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

A listing of bonds and management representation were obtained. The District did not have issuances of debt in 2022.

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

No exception to this procedure.

Fraud Notice

24. 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.

Management asserted there were no misappropriations. Management's representations were obtained.

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

No exception to this procedure.

Information Technology Disaster Recovery/Business Continuity

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

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

I 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.

I 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 current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

I performed the procedure and discussed the results with management.

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

I performed the procedure and discussed the results with management.

Sexual Harassment

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

No exceptions to this procedure.

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

No exception to this procedure.

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

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;

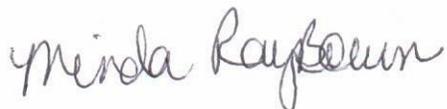
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

No exception to this procedure.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement 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 and did not conduct an examination or review engagement, 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.



Minda B. Raybourn CPA
Franklinton, LA
June 24, 2023