

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

**ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2020

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS:	
Statement of Net Position	5
Statement of Revenues, Expenses, and Changes in Fund Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	9-17
SUPPLEMENTAL INFORMATION:	
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 <i>Government Auditing Standards</i>	19-20
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	21
Schedule of Findings and Responses	22
Status of Prior Year Findings	23

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*  
2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouen CPA.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Southwest Allen Parish Water District No. 2, component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southwest Allen Parish Water District No. 2, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Allen Parish Water District No. 2's basic financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 18, 2021, on my consideration of the Southwest Allen Parish Water District No. 2's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Allen Parish Water District No. 2's internal control over financial reporting and compliance.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
May 18, 2021

## **FINANCIAL STATEMENTS**

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
STATEMENT OF NET POSITION  
December 31, 2020

ASSETS

Current assets:

Cash	\$ 1,747,310
Cash - restricted	556,220
Investments	120,297
Receivables - net	184,470
Prepaid assets	19,911
Total current assets	<u>2,628,208</u>

Non-current assets:

Capital assets - net of accumulated depreciation	<u>5,527,579</u>
Total non-current assets	<u>5,527,579</u>

TOTAL ASSETS 8,155,787

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	197,716
Accrued liabilities	6,418
Payable from restricted assets:	
Customer deposits	<u>23,237</u>
Total current liabilities	<u>227,371</u>

Non-current liabilities

Long-term portion of bonds payable	<u>2,900,742</u>
------------------------------------	------------------

TOTAL LIABILITIES 3,128,113

Net Position:

Net investment in capital assets	2,626,837
Restricted:	
Debt service	526,663
Construction	847
Unrestricted	<u>1,873,327</u>

TOTAL NET POSITION 5,027,674

TOTAL LIABILITIES AND NET POSITION \$ 8,155,787

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
For the Year Ended December 31, 2020

OPERATING REVENUES:		
Charges for services		\$ 1,295,671
Miscellaneous		38,304
	TOTAL OPERATING REVENUES	<u>1,333,975</u>
OPERATING EXPENSES:		
Advertising		1,766
Computer service		2,802
Depreciation		189,303
Dues		700
Fees		7,715
Insurance - general		33,393
Insurance - health		68,891
Interest		75,519
Miscellaneous		16,204
Office		36,696
Per diem		2,340
Professional fees		18,465
Repairs and maintenance		44,416
Retirement		33,985
Salaries		332,517
Supplies		94,002
Taxes and licenses		21,229
Transportation		32,196
Utilities		133,722
Water administration fees		17,824
	TOTAL OPERATING EXPENSES	<u>1,163,685</u>
	OPERATING INCOME (LOSS)	<u>170,290</u>
NON-OPERATING REVENUES (EXPENSES):		
Bond interest reimbursement		3,479
Dividend revenue		4,657
Loss on sale of fixed assets		(7,533)
Interest income		2,120
	TOTAL NON-OPERATING INCOME (EXPENSES)	<u>2,723</u>
CHANGE IN NET POSITION		173,013
NET POSITION- BEGINNING		<u>4,854,661</u>
NET POSITION - ENDING		<u>\$ 5,027,674</u>

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2020

Cash Flows from Operating Activities:	
Received from customers and users	\$ 1,303,876
Other operating receipts	38,304
Payments for supplies and services	(704,963)
Payments to employees, benefits and payroll taxes	(389,466)
Net Cash Provided by Operating Activities	<u>247,751</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(585,394)
Proceeds from long-term debt	620,556
Bond payments	(147,000)
Net Cash Provided (Used) from (for) Capital and Related Financing Activities	<u>(111,838)</u>
Cash Flows from Investing Activities:	
Interest received	2,120
Dividends received	4,657
Net Cash Provided (Used) from (for) Investing Activities	<u>6,777</u>
Net Increase (Decrease) in Cash and Equivalents	142,690
Cash and Cash Equivalents at Beginning of Year	2,160,840
Cash and Cash Equivalents at End of Year	<u>\$ 2,303,530</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 170,290
Depreciation	189,303
(Increase) decrease in:	
Receivables - trade	8,205
Increase (decrease) in:	
Accounts payable	(119,437)
Accrued liabilities	(1,735)
Rent deposits	1,125
Net Cash Provided by Operating Activities	<u>\$ 247,751</u>
Reconciliation of Total Cash:	
Current assets-cash	\$ 1,747,310
Restricted assets-cash	556,220
Total Cash	<u>\$ 2,303,530</u>

Supplemental Disclosure:

Cash paid for interest - \$75,519

The accompanying notes are an integral part of this statement



**NOTES TO FINANCIAL STATEMENTS**

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2020

**INTRODUCTION**

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

**REPORTING ENTITY**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

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

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

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

Fund Accounting

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

Basis of Accounting

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**B. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Southwest Allen Parish Water District No. 2's investment policy allow the District to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**C. Prepaid Items**

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

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

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

**D. Accounts Receivable**

An allowance for doubtful accounts is computed under the allowance method, based upon historical data and management’s estimates of uncollectible accounts. The provision for doubtful accounts at December 31, 2020, was \$2,467.

Receivables at December 31, 2020 consist of the following:

Customers, net	\$	184,470
Total	\$	<u>184,470</u>

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

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of December 31, 2020, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Southwest Allen Parish Water District No. 2 maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

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

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

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

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

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

**F. Estimates**

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

**G. Compensated Absences**

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

**H. Statement of Cash Flows**

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

**I. Net Position**

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

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

**NOTE 2 - CASH AND CASH EQUIVALENTS**

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

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

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

**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

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

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

At December 31, 2020, the District has cash and cash equivalents (book balances) totaling as follows:

Interest-bearing demand deposits .....	\$ 2,122,003
Non-Interest-bearing demand deposits .....	181,127
Other .....	400
	Total <u>\$ 2,303,530</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held by the pledging financial institution's trust department or agent, in the District's name. At December 31, 2020, the District has \$2,309,077 in deposits (collected bank balances). These deposits are secured from risk by \$750,000 of federal deposit insurance and \$2,002,418 of pledged securities held by the pledging financial institution's trust department or agent, in the District's name.

**NOTE 3 - INVESTMENTS**

Deposits held by LAMP at December 31, 2020, consist of \$120,297 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds (LAMP is a 2a7-like investment pool) and therefore not evidenced by securities that exist in physical or book entry form. Also, pooled investments are excluded from the concentration of credit risk 5 percent disclosure requirement and foreign currency risk is not applicable to 2a7-like pools.

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

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

**NOTE 3 - INVESTMENTS (Continued)**

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

As of December 31, 2020, the weighted-average yield on the deposits at LAMP was 0.0939% and the weighted-average maturity cannot exceed 90 days. The weighted-average maturity for LAMP's total investments was 47 days as of December 31, 2020. LAMP is rated AAAM by Standard & Poors. The District does not have credit or interest rate risk policies for investments.

**NOTE 4 - FIXED ASSETS**

A summary of fixed assets at December 31, 2020 follows:

	Beginning of Year	Capital Acquisitions	Capital Dispositions	End of Year
Capital assets, not being depreciated				
Land	\$ 56,243	\$ -	\$ -	\$ 56,243
Construction in progress	2,627,748	492,723	(3,119,471)	1,000
Total capital assets, not being depreciated	<u>56,243</u>	<u>492,723</u>	<u>(3,119,471)</u>	<u>57,243</u>
Capital assets being depreciated				
Building	117,569	-	-	117,569
Distribution system	5,120,099	3,204,983	(58,430)	8,266,652
Furniture, fixtures, & equipment	426,393	9,864	(11,288)	424,969
Total capital assets being depreciated	<u>5,664,061</u>	<u>3,214,847</u>	<u>(69,718)</u>	<u>8,809,190</u>
Accumulated depreciation	(3,211,736)	(189,303)	62,185	(3,338,854)
Total capital assets being depreciated, net	<u>\$ 2,508,568</u>	<u>\$ 3,518,267</u>	<u>\$ (3,127,004)</u>	<u>\$ 5,527,579</u>

Depreciation expense was \$189,303 for the year ended December 31, 2020.

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

**NOTE 5 - COMPONENTS OF RESTRICTED ASSETS**

The customer deposit account had a balance of \$28,710 as of December 31, 2020. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$23,237 as of December 31, 2020.

The District was required by the bond covenants of the Water Revenue Bonds, Series 2010B and Water Revenue Bonds, Series 2018 to establish accounts for the bond principle and interest payments, construction, and any future maintenance on the new water well (Series 2010B) and water system improvements (Series 2018). The Revenue Bond Debt Service Fund had a balance of \$181,127 as of December 31, 2020. The account is restricted for the use of bond payments. The Revenue Bond Debt Service Reserve Fund had a balance of \$68,910 as of December 31, 2020. The account is restricted for the use of bond payments, if ever necessary. The Depreciation and Contingency Fund had a balance of \$276,626 as of December 31, 2020. The account is restricted for extensions, additions, improvements, renewals and replacements to the System or for the payment of principal or interest on the Bonds if there is not sufficient money in the Debt Service or Reserve Fund. The construction account had a balance of \$847 as of December 31, 2020. The account is restricted for water system improvement projects.

**NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN**

The District sponsors a Simplified Employee Pension (SEP) Plan which is considered a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of New York Life Trust Company. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District contributes 10% of each participating employee's monthly gross salary. Eligibility requires the employee to have attained the age of eighteen (18) and are eligible immediately upon hire. The employees cannot contribute to the plan. Employer contributions were \$33,985 in 2020. Employee contributions were \$2,125 in 2020.

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2020.

**NOTE 8 - LONG-TERM OBLIGATION**

The following is a summary of the long-term obligation transactions for the year ended December 31, 2020.

	<u>Bonded Debt</u>
Long-term obligations at Beginning of Year	\$ 2,427,185
Additions	620,557
Deductions	(147,000)
Long-term obligations at End of Year	<u>\$ 2,900,742</u>



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

**NOTE 8 - LONG-TERM OBLIGATION (Continued)**

The following is a summary of current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2020.

	<u>Bonded Debt</u>
Current portion	\$ -
Long-term portion	2,900,742
Total	<u>\$ 2,900,742</u>

The bonds outstanding as of December 31, 2020, includes a Utility Drinking Water Revolving Loan bond maturing in 2030 with an interest rate of 2.95%. Interest expense for 2020 was \$14,525. The original issue price of the bonds is \$696,500. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

The bonds outstanding at December 31, 2020, also includes a Utility Drinking Water Revolving Loan bond maturing in 2039 with an interest rate of 1.95%. Interest expense for 2020 was \$60,994. The original issue price of the bonds is \$4,000,000. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

The following schedules reflect the original bond amounts.

Bond	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
Water Revenue Bonds, Series 2010B	\$ 696,500	2.95%	January 1, 2030	\$ 55,858	\$ 367,500	Water Revenue
Water Revenue Bonds, Series 2018	\$ 4,000,000	1.95%	January 1, 2039	\$ 612,359	\$ 2,533,242	Water Revenue

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

Year Ending December 31,	Principal Payments	Interest Payments	Total
2021	-	36,825	36,825
2022	182,000	71,691	253,691
2023	186,000	67,728	253,728
2024	191,000	63,667	254,667
2025	195,000	59,509	254,509
2026-2030	1,048,501	231,634	1,280,135
2031-2035	945,000	128,963	1,073,963
2036	153,241	8,200	161,441
Total	<u>\$ 2,900,742</u>	<u>\$ 668,217</u>	<u>\$ 3,568,959</u>

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

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

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

**NOTE 9 - BOARD OF COMMISSIONERS' FEES**

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during 2020 are as follows:

Katrena Rosas	\$ 280
Wayne Bell	180
Patrick Hayes	120
Patrick Lafargue	480
Gary Savant	280
Total	<u>\$ 1,340</u>

**NOTE 10 - CONTINGENCIES AND COMMITMENTS**

The District was authorized \$3,500,000 in Water Revenue Bonds, Series 2018. As of December 31, 2020, the District has incurred \$2,533,242 of these bonds. The District is expected to incur and utilize the remaining bond money in 2021.

**NOTE 11 - SUBSEQUENT EVENT REVIEW**

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

**SUPPLEMENTAL INFORMATION**

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*  
2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Southwest Allen Parish Water District No. 2's basic financial statements and have issued my report thereon dated May 18, 2021.

### **Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. See items 2020-1 and 2020-2.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southwest Allen Parish Water District No. 2's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
May 18, 2021

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

Schedule of Compensation, Benefits and Other Payments to Agency Head  
or Chief Executive Officer  
For the Year Ended December 31, 2020

**Agency Head Name:** Patrick Lafargue

<b>Purpose</b>	<b>Amount</b>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	480
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
Kinder, Louisiana  
Schedule of Findings and Responses  
For the Year Ended December 31, 2020

**2020-1 Segregation of Duties**

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

**2020-2 Controls over Financial Reporting**

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2  
Kinder, Louisiana  
Summary Schedule of Prior Year Findings  
For the Year Ended December 31, 2020

**2019-1 (Ongoing finding) Segregation of duties:**

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

**2019-2 (Ongoing finding) Controls Over Financial Reporting:**

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