

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO. 1**

**Annual Financial Statements
And Independent Auditor's Report
Year Ended December 31, 2023 and 2022**

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1

Annual Financial Report
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the
Jefferson Davis Parish
Water & Sewer Commission No. 1
Lake Arthur, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of the business-type activities of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Commission, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management 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.

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 Commission'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 Financial Statements

Our 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 our 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 the Assessor’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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Assessor’s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Required Supplementary Information

Management has omitted a management’s discussion and analysis that accounting principles generally accepted in the United States 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is 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*, we have also issued our report dated June 28, 2024, on our consideration of Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the 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 Commission's internal control over financial reporting and compliance.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
June 28, 2024

BASIC FINANCIAL STATEMENTS

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 346,237	\$ 447,505
Investments	747,144	608,933
Accrued interest receivable	471	118
Receivables, net of bad debt allowance of \$1,545 and \$1,203	132,491	131,005
Prepaid expenses	23,849	59,612
Inventory	61,014	52,343
Total current assets	<u>1,311,206</u>	<u>1,299,516</u>
Noncurrent assets:		
Investments	<u>96,649</u>	<u>-</u>
Restricted assets:		
Cash and equivalents	287,217	283,107
Investments- certificates of deposit	570,708	562,595
Total restricted assets	<u>857,925</u>	<u>845,702</u>
Capital assets, net of accumulated depreciation	<u>5,154,200</u>	<u>5,325,266</u>
Total noncurrent assets	<u>6,108,774</u>	<u>6,170,968</u>
TOTAL ASSETS	<u><u>\$ 7,419,980</u></u>	<u><u>\$ 7,470,484</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 53,539	\$ 37,280
Salaries, payroll and other taxes payable	16,242	11,729
Compensated absences	3,337	3,261
Accrued interest payable	10,536	10,590
Due to other governments	500	500
Current portion of long-term liabilities	165,000	160,000
Total current liabilities	<u>249,154</u>	<u>223,360</u>
Current liabilities payable from restricted assets:		
Customer deposits	<u>263,010</u>	<u>258,960</u>
Total current liabilities payable from restricted assets	<u>263,010</u>	<u>258,960</u>
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	3,970,000	4,135,000
Unamortized premium on revenue bonds	279,513	310,214
Total noncurrent liabilities	<u>4,249,513</u>	<u>4,445,214</u>
Total liabilities	<u>4,761,677</u>	<u>4,927,534</u>
NET POSITION		
Net investment in capital assets	739,687	720,052
Restricted for debt service	594,915	586,742
Unrestricted	<u>1,323,701</u>	<u>1,236,156</u>
TOTAL NET POSITION	<u><u>\$ 2,658,303</u></u>	<u><u>\$ 2,542,950</u></u>

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES :		
Charges for sales and services	\$ 1,301,315	\$ 1,257,543
State grant-operating	-	8,000
Total operating revenues	1,301,315	1,265,543
OPERATING EXPENSES :		
Salaries and related benefits	441,649	431,076
Operating services:		
Advertising	756	535
Copier lease	1,411	1,575
Software maintenance	8,872	8,323
Dues and subscriptions	815	765
Insurance	41,169	36,011
Licenses and fees	38,088	38,763
Miscellaneous expense	28,477	25,497
Professional fees	23,332	24,470
Postage	17,805	16,319
Reimbursements	-	55
Seminars	1,041	695
Telephone	10,388	10,547
Travel- lodging, mileage & meals	960	966
Utilities	45,942	49,461
Materials, supplies and repairs:		
Vehicle expenses	41,323	28,542
Office expense	22,820	16,391
Repairs and maintenance	166,546	198,663
Supplies and chemicals	32,532	36,921
Depreciation expense	222,276	228,845
Total operating expenses	1,146,202	1,154,420
Operating Income (Loss)	155,113	111,123
NON-OPERATING REVENUES (EXPENSES) :		
Other non-operating revenue	675	775
Interest income	45,424	5,345
Insurance proceeds	12,235	-
Interest expense (net of amounts capitalized of \$0 and \$0)	(98,094)	(100,209)
Total non-operating revenues (expenses)	(39,760)	(94,089)
Change in net position	115,353	17,034
TOTAL NET POSITION - BEGINNING	2,542,950	2,525,916
TOTAL NET POSITION - ENDING	\$ 2,658,303	\$ 2,542,950

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,303,879	\$ 1,263,104
Payments to suppliers	(438,926)	(504,021)
Payments to employees	(437,060)	(430,559)
Net cash provided by operating activities	427,893	328,524
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other non-operating revenue sources	12,910	775
Net cash provided by noncapital financing activities	12,910	775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(51,210)	(9,486)
Principal paid on revenue bonds	(160,000)	(155,000)
Interest paid on revenue bonds	(128,849)	(133,500)
Net cash (used) by capital and related financing activities	(340,059)	(297,986)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales on investments	-	-
Purchase of investments	(242,973)	(503,798)
Interest received	45,071	5,344
Net cash provided (used) by investing activities	(197,902)	(498,454)
Net increase (decrease) in cash and cash equivalents	(97,158)	(467,141)
Cash and cash equivalents - beginning of the year	730,612	1,197,753
Cash and cash equivalents - end of the year	\$ 633,454	\$ 730,612
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 155,113	\$ 111,123
Adjustments to reconcile operating income to net cash provided (used by) operating activities:		
Depreciation expense	222,276	228,845
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,486)	(8,019)
(Increase) decrease in prepaid expenses	35,763	(39,703)
(Increase) decrease in inventory	(8,671)	3,710
Increase (decrease) in customer deposits	4,050	5,580
Increase (decrease) in accounts payable	16,259	26,471
Increase (decrease) in accrued payroll expenses	4,589	517
Net cash provided by operating activities	\$ 427,893	\$ 328,524

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

INTRODUCTION

The Water and Sewer Commission No. 1 of the Parish of Jefferson Davis (Commission) was created by the Jefferson Davis Parish Police Jury pursuant to LSA-RS 33:3811 in 1999. The Commission has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The Commission is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 30 of the Louisiana Constitution.

Under the provision of LSA-RS 33:8812, the Commission shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at least the five hundred dollars' worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, issued in June 1999.

B. REPORTING ENTITY

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of Jefferson Davis Parish Police Jury. This is primarily due to the fact that the Police Jury appoints the Commission's governing body. The accompanying financial statements present information only on the proprietary fund maintained by the Commission and do not present information on the Jefferson Davis Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

The enterprise fund statements (government-wide) were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transaction are recognized when the exchange occurs (regardless of when cash is received or disbursed).

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. *Accounting and Financial Reporting for Non-Exchange Transactions*.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales, connections and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. For purposes of the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

E. INVENTORIES

Inventory of materials and supplies are valued at average cost.

F. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Commission considers accounts receivable to be collectible when received within 60 days of being billed and/or a security deposit is available; accordingly, an allowance for doubtful accounts has been established for amounts not meeting these criteria. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the collectability of the particular receivable.

G. PREPAID EXPENSE

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. RESTRICTED ASSETS / RESOURCES

Restricted assets consist of: 1) the "Customer Deposit" account, which is used to segregate water meter deposits used to pay an outstanding water bill when customers discontinue service, 2) the "Construction Fund" account, which is used to segregate resources used for capital improvements and renovations, and 3) the "Sinking", "Debt Service Reserve", and "Contingency" accounts, which are all used to segregate resources to pay debt services. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

I. CAPITAL ASSETS

Capital assets of the Commission are recorded at historical cost. The Commission maintains an individual asset threshold level for capitalization of \$1,000 for movable assets. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible capital assets are charged as an expense against operations. Capital assets reported on the statement of net position are net of accumulated depreciation, exclusive of those reported under construction in progress. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water well	30-years
Storage and treatment plant	5-50 years
Water distribution system	10-50 years
Office equipment	5 years
Equipment	5-20 years
Vehicles	5 years
Improvements	15 years

J. COMPENSATED ABSENCES

Compensation time earned in lieu of overtime pay is accrued when incurred by the Commission.

L. NET POSITION

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is displayed in the following three categories:

Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by the balances of deferred outflows of resources related to those assets.

Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Commission’s bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use by the Commission.

When both restricted and unrestricted net position are available for use, it is the Commission’s policy to use restricted net position first, if allowable, then unrestricted net position as they are needed.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. CAPITALIZATION OF INTEREST

It is the policy of the Commission to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. Net interest costs capitalized totaled \$0 and \$0 during 2023 and 2022.

O. OPERATING AND NONOPERATING ITEMS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses included cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. CASH AND CASH EQUIVALENTS

At December 31, the Commission has cash equivalents (book balances) as follows:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ <u>633,454</u>	\$ <u>730,612</u>
Total Book Balances	\$ <u><u>633,454</u></u>	\$ <u><u>730,612</u></u>

Cash includes demand deposits and interest-bearing demand deposits. Under state laws, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any state in the union or the laws of the United States. Further, the Commission may deposit funds in time deposits or certificate of deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Also, state law requires that deposits (or 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 deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be recovered.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS

The Commission does not have a policy that addresses credit risk; however, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. The deposit balances (collected bank balances) at year-end were as follows:

		<u>2023</u>	<u>2022</u>
Collected bank balances	\$	<u>650,396</u>	<u>765,269</u>
Deposits were secured as follows:			
Insured deposits		274,207	274,147
Pledged securities		<u>376,189</u>	<u>\$ 491,122</u>
Total	\$	<u>650,396</u>	<u>\$ 765,269</u>

The pledged securities are held by the pledging bank’s agent in the bank’s name. Even though the pledged securities are considered uncollateralized Louisiana Revised Statute (LRS) 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 Commission that the fiscal agent has failed to pay deposited funds upon demand.

3. INVESTMENTS

At year end, the Commission’s investments were as follows:

Investment Type	<u>2023</u>		<u>2022</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Certificates of Deposit	\$ 679,916	\$ 679,916	\$ 670,184	\$ 670,184
Louisiana Asset Management Pool (LAMP)	<u>734,585</u>	<u>734,585</u>	<u>501,344</u>	<u>501,344</u>
Total	<u>\$ 1,414,501</u>	<u>\$ 1,414,501</u>	<u>\$ 1,171,528</u>	<u>\$ 1,171,528</u>

The Commission invests in nonnegotiable certificates of deposits. Pursuant to GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Commission also invests in the Louisiana Asset Management Pool, Inc. (LAMP). The LAMP portfolio includes only securities and other obligations in which local government are authorized to invest in accordance with LRS 33:2955.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. 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.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclose of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public fund entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standrd & Poor’s

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 makeup the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. 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 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. The WAM for LAMP’s total investments (to reset) is 43 days and (to final) is 69 days as of June 26, 2024.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. 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.

4. RECONCILIATION OF DEPOSITS AND INVESTMENTS

A reconciliation of deposits and investments as shown on the statement of net position are as follows:

	<u>2023</u>	<u>2022</u>
Carrying amount of deposits	\$ 633,454	\$ 730,612
Carrying amount of investments	<u>1,414,501</u>	<u>1,171,528</u>
Total	<u>\$ 2,047,955</u>	<u>\$ 1,902,140</u>
Cash equivalents	\$ 346,237	\$ 447,505
Cash equivalents – Restricted	287,217	283,107
Investments	843,793	608,933
Investments – Restricted	<u>570,708</u>	<u>562,595</u>
Total	<u>\$ 2,047,955</u>	<u>\$ 1,902,140</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

5. RECEIVABLES

The following is a summary of receivables at year end:

Customer receivables:	2023	2022
Current	\$ <u>61,415</u>	\$ <u>61,383</u>
Past Due	<u>18,764</u>	<u>15,121</u>
Gross customer receivables	80,179	76,504
Accrued unbilled receivables	53,857	55,704
Less: allowance for doubtful accounts	<u>(1,545)</u>	<u>(1,203)</u>
Net total receivables	\$ <u><u>132,491</u></u>	\$ <u><u>131,005</u></u>

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on an assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

6. RESTRICTED ASSETS

Assets were restricted for the following purposes at year end:

	2023	2022
Customer deposits	\$ <u>263,010</u>	<u>258,960</u>
Revenue bond current debt sinking fund account	24,207	24,147
Revenue bond contingency/reserve account	<u>570,708</u>	<u>562,595</u>
Total	\$ <u><u>857,925</u></u>	<u><u>845,702</u></u>

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2023 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,525,177	-	-	-	1,525,177
Buildings	253,852	-	-	-	253,852
Improvements	5,850	-	-	-	5,850
Water distribution system	7,008,665	-	-	-	7,008,665
Office equipment	88,641	2,615	-	-	91,256
Equipment	170,333	-	-	-	170,333
Vehicles	91,950	48,595	-	-	140,545
Total capital assets being depreciated	9,470,905	51,210	-	-	9,522,115
Less accumulated depreciation for:					
Water well	213,464	10,881	-	-	224,345
Storage and treatment plant	968,762	50,839	-	-	1,019,601
Buildings	106,238	6,663	-	-	112,901
Improvements	1,575	390	-	-	1,965
Water distribution system	2,605,888	142,067	-	-	2,747,955
Office equipment	67,878	5,509	-	-	73,387
Equipment	127,009	5,858	-	-	132,867
Vehicles	91,949	69	-	-	92,018
Total accumulated depreciation	4,182,763	222,276	-	-	4,405,039
Total capital assets being depreciated, net	5,288,142	(171,066)	-	-	5,117,076
Capital assets, net	\$ 5,325,266	(171,066)	-	-	5,154,200

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS

A summary of capital assets for the year ended December 31, 2022 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,525,177	-	-	-	1,525,177
Buildings	253,852	-	-	-	253,852
Improvements	5,850	-	-	-	5,850
Water distribution system	7,008,665	-	-	-	7,008,665
Office equipment	83,846	4,795	-	-	88,641
Equipment	165,642	4,691	-	-	170,333
Vehicles	91,950	-	-	-	91,950
Total capital assets being depreciated	9,461,419	9,486	-	-	9,470,905
Less accumulated depreciation for:					
Water well	202,583	10,881	-	-	213,464
Storage and treatment plant	917,923	50,839	-	-	968,762
Buildings	99,575	6,663	-	-	106,238
Improvements	1,185	390	-	-	1,575
Water distribution system	2,463,821	142,067	-	-	2,605,888
Office equipment	63,391	4,487	-	-	67,878
Equipment	119,233	7,776	-	-	127,009
Vehicles	86,207	5,742	-	-	91,949
Total accumulated depreciation	3,953,918	228,845	-	-	4,182,763
Total capital assets being depreciated, net	5,507,501	(219,359)	-	-	5,288,142
Capital assets, net	\$ 5,544,625	(219,359)	-	-	5,325,266

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT

The long-term debt of the Commission consists of various direct borrowings via water revenue bonds payable as follows:

	<u>2023</u>	<u>2022</u>
\$4,585,000 Water Revenue Refunding Bonds Series 2020, dated December 30, 2020 one interest only payment of \$57,694.58 due June 1, 2021, thereafter payable in bi-annual installments, including principal and interest, to December 1, 2043, interest at 3.000%.	4,135,000	4,295,000
Total Long-term Debt	<u>4,135,000</u>	<u>4,295,000</u>
Less current portion	<u>(165,000)</u>	<u>(160,000)</u>
	<u>\$ 3,970,000</u>	<u>4,135,000</u>

The direct borrowings of water revenue bonds payable to Hancock Whitney contain a requirement that the governing authority will continue to fix, establish and maintain rates and fees for services such that provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the water system in such year, at least equal to 120% of the largest amount of principal and interest maturing on the outstanding revenue bonds. In the event of default, the owner of the revenue bonds may appoint a receiver to take possession of the water system to hold, operate and maintain, manage and control the water system, and in the name of the issuer shall exercise all rights and powers of the issuer with respect to the water system.

The Commission did not produce enough Operating Income in 2022 to equal 120% of the highest combined principal and interest requirements on the Bonds. For 2022, net income fell short by approximately \$5,153. This was due in part to irregular repair and maintenance expenses in the amount of \$36,870. Section 6.6 of the bond resolution required the Commission to adopt a resolution in order to place in effect a revised schedule of rates and charges that will produce no less than such amount. Pursuant to this requirement the Commission immediately passed a resolution (dated October 20, 2021, effective for bills due March 15, 2022) that fixed and placed in effect a revised schedule of rates and charges that is anticipated to produce revenues to meet the 120% rate covenant for future years. As of December 31, 2022, and December 31, 2023, the Commission is in compliance with the rate covenant in the bond resolution.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debts outstanding including interest are as follows:

Year Ending December 31	Direct Borrowings		
	Principal	Interest	Total
2024	\$ 165,000	124,050	289,050
2025	165,000	119,100	284,100
2026	170,000	114,150	284,150
2027	180,000	109,050	289,050
2028	180,000	103,650	283,650
2029-2033	1,005,000	432,900	1,437,900
2034-2038	1,155,000	272,850	1,427,850
2039-2043	1,115,000	92,250	1,207,250
2044-2045	-	-	-
Total	\$ <u>4,135,000</u>	<u>1,368,000</u>	<u>5,503,000</u>

The following is a summary of long-term liability activity for the year ended December 31, 2023:

	Balance Beginning	Additions	Reductions	Balance Ending	Due Within One Year
Direct borrowings:					
Revenue bonds	\$ 4,295,000	-	160,000	4,135,000	165,000
Unamortized premiums	<u>310,214</u>	<u>-</u>	<u>30,701</u>	<u>279,513</u>	<u>-</u>
Total long-term liability	\$ <u>4,605,214</u>	<u>-</u>	<u>190,701</u>	<u>4,414,513</u>	<u>165,000</u>

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

	Balance Beginning	Additions	Reductions	Balance Ending	Due Within One Year
Direct borrowings:					
Revenue bonds	\$ 4,450,000	-	155,000	4,295,000	160,000
Unamortized premiums	<u>342,757</u>	<u>-</u>	<u>32,543</u>	<u>310,214</u>	<u>-</u>
Total long-term liability	\$ <u>4,792,757</u>	<u>-</u>	<u>187,543</u>	<u>4,605,214</u>	<u>160,000</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

9. COMPENSATED ABSENCES

All regular full-time employees who work overtime in their daily operations are compensated with time and a half of their regular salary. Employees can accumulate compensatory time in lieu of payment for overtime. The Commission's standard policy for sick and vacation leave is that it does not accumulate or vest past year end. As a result no liability is reported for unpaid accumulated sick or vacation leave at year end.

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2023, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk is protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission.

11. INTEREST COST

Interest costs recorded in financial statements consist of the following:

	<u>2023</u>	<u>2022</u>
Interest paid	\$ 128,850	133,500
Interest accrual change	<u>(55)</u>	<u>(748)</u>
Total interest recorded	128,795	132,752
Less amount amortized for bond premium	<u>30,701</u>	<u>32,543</u>
Amount charged to expense	<u>\$ 98,094</u>	<u>100,209</u>

12. LITIGATION AND CLAIMS

As of yearend there were no know matters of litigation involving the Commission which would materially affect the Commission's financial position.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
NOTES TO FINANCIAL STATEMENTS**

13. PENSION PLAN

The Commission began a Simple IRA defined contribution plan effective March 1, 2007 pursuant to Internal Revenue Code Section 408(p). Under the plan, each employee receiving at least \$2,000 in compensation, as defined in the plan, during any one prior year and who are reasonably expected to receive at least \$2,000 in compensation during the current year are eligible to participate in the plan. Under terms of the plan, participants are able to reduce their taxable compensation per federally mandated calculations for contributions made to the plan. The Commission provides a non-elective contribution of 2% of eligible compensation for all eligible employees. Benefits vest immediately upon contribution by the Commission. Pension expense for the year ending December 31, 2023 and 2022, was \$5,377 and \$5,014.

14. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through June 28, 2024 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION SCHEDULES

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation and Other Expenses Paid to Commissioners
For the Year Ended December 31, 2023

Board Member

Gregory Bordelon	\$	2,100
Ric Berken		2,100
Don Johnson		2,100
Raymond Brown		2,100
Chad Woods		1,650
Bill Navarre		1,950
Inez Goodly, Jr.		<u>1,800</u>
	\$	<u>13,800</u>

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2023

Agency Head Name: David Trahan, Manager

Salary	\$	72,800
Benefits- insurance		14,494
Benefits- retirement		1,326
Benefits- Medicare & Social Security		5,440
	\$	<u>94,060</u>

OTHER REPORTS

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2023

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2007-1: Lack of segregation of duties

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. This condition existed in previous years.

Management Response: This condition still exists. Due to small size of our office staff we are limited in our ability to adequately segregate accounting functions. The board does review accounts payable invoices and the financials at each board meeting.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III – MANAGEMENT LETTER FINDINGS

No findings reported.

Mike B. Gillespie
Certified Public Accountant
A Professional Accounting Corporation

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

To the Board Members of the
Jefferson Davis Parish Water & Sewer Commission No. 1
Lake Arthur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Jefferson Davis Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 28, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2007-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
June 28, 2024

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of report issued: unmodified opinion on the basic financial statements
2. Internal control over financial reporting:
 - Material weakness(es) identified? – Yes
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? - No
3. Noncompliance material to the financial statements noted? – Yes
4. Was a management letter issued? – No

Federal Awards

5. Internal control over major programs:
 - Material weakness(es) identified? – N/A
 - Significant deficiency(ies) identified that that are not considered to be material weakness(es)? – N/A
6. Type of auditor's report issued on compliance for major programs: Not applicable
7. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? N/A
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
Not applicable	Not applicable

9. The threshold used for distinguishing between Type A and B programs was: Not applicable
10. Did the auditee qualify as a low risk auditee? – N/A

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Unresolved Prior Year Findings:

Item: 2007-1 Lack of segregation of duties

Criteria/ Specific Requirement: A good system of internal control provides for a proper segregation of the accounting functions.

Condition: The Commission does not have the proper segregation of duties cash receipts and disbursements, accounts receivable, and accounts payable. This condition existed in previous years.

Cause: Due to the small number of employees involved in the accounting functions, it appears the Commission did not have adequate segregation of duties within the accounting system.

Effect of Condition: The lack of proper segregation of duties increases the risk that errors or fraud could occur and not be discovered in a timely manner.

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

SECTION III –FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION IV – MANAGEMENT LETTER

No current year findings reported.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT’S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2022**

SECTION I – FINANACIAL STATEMENT FINDINGS

Finding 2007-1: Lack of segregation of duties

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. This condition existed in previous years.

Management Response: This condition still exists. Due to small size of our office staff we are limited in our ability to adequately segregate accounting functions. The board does review accounts payable invoices and the financials at each board meeting.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings reported.

SECTION III – MANAGEMENT LETTER

No current year findings reported.

* * * * *

THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT

Mike B. Gillespie
Certified Public Accountant
A Professional Accounting Corporation

Mike B. Gillespie, CPA, CGMA

Eric C. Gillespie, CPA

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board Members of the
Jefferson Davis Parish
Water & Sewer Commission No.1
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, 2023 through December 31, 2023. The Entity's management is responsible for those C/C areas identified in the SAUPs.

Jefferson Davis Parish Water & Sewer Commission No.1 (Commission) 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, 2023 through December 31, 2023. 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:

1) Written Policies and Procedures

- A. 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:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***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.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - iv. ***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).

- v. **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 rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2) Board or Finance Committee

- A. 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
 - i. 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.
 - ii. 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. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. 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.

- iv. 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.

3) Bank Reconciliations

- A. 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:

Obtained a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete.

- i. 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);
- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date of the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
- iii. 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.

4) Collections (excluding electronic funds transfers)

- A. 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).

Obtained the listing of deposit sites and management's representation that the listing is complete.

- B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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:

Obtained the listing of collection locations and management's representation that the listing is complete.

- i. Employees responsible for cash collections do not share cash drawers/registers;
- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

- iii. Each employee responsible for collecting cash is not also 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; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, 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:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. 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).
- Obtained the listing of locations that process payments and management's representation that the listing is complete.***
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- Obtained a listing of those employees involved with non-payroll purchasing, payment functions, and inquired of those listed employees about their job duties.***
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;

- iv. 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; and
 - v. 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.
- C. For each location selected under procedure #5A 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
- Obtained the listing of the entity's non-payroll disbursement transaction population and management's representation that the listing is complete.***
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. 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.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
- Obtained the listing of all active credit cards, bank debit cards, fuel cards, and p-cards and management's representation that the listing is complete.***
- B. 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
- i. 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 (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

- C. Using the monthly statements or combined statements selected under procedure #7B 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 (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

- A. 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 and 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

Obtained listing of all travel and travel-related expense reimbursement and management's representation that the listing is complete.

- i. If reimbursed using a per diem, observe that 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);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) *Contracts*

- A. 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. *Alternatively, 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

Obtained listing of all agreements/contracts that were initiated or renewed and management's representation that the listing is complete.

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

- iii. If the contract was amended (e.g., change order), observe that 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, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

9) Payroll and Personnel

- A. 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.
Obtained a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. 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 and 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's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. 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.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

- A. 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 that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete.

- B. 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).

Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete.

12) Fraud Notice

- A. 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 as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

13) Information Technology Disaster Recovery/Business Continuity

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

We performed the procedure and verbally discussed the results with management.

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

We performed the procedure and verbally discussed the results with management.

- iii. 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.

We performed the procedure and verbally discussed the results with management.

- B. 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.

We performed the procedure and verbally discussed the results with management.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

We performed the procedures and verbally discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;

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

No exceptions were noted as a result of applying the procedures listed above except of the following findings:

Written Policies and Procedures

- 1. The entity had no written policies and procedures to address the categories of (i) Budgeting, (ii) Purchasing, (iii) Disbursements, (iv) Receipts/Collections, (v) Payroll/Personnel, (vi) Contracting, (viii) Credit Cards, (x) Debt Service, (xi) Information Technology Disaster Recovery/Business Continuity.
- 2. The entity had written policies and procedures for the categories (vii) Travel and Expense Reimbursement, (ix) Ethics, and (xii) Prevention of Sexual Harassment. However, these written policies and procedures also had the following findings listed below.
- 3. The entity's (vii) Travel and Expense Reimbursement written policies and procedures did NOT address function (2) dollar thresholds by category of expense.
- 4. The entity's (ix) Ethics written policies and procedures did NOT address functions (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (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.
- 5. The entity's (xii) Prevention of Sexual Harassment written policies and procedures did NOT address function (2) annual employee training and (3) annual reporting.

Management's response: Management agrees with findings and plans to establish written polices and procedures to address the above findings.

Bank Reconciliations

- 1. Bank reconciliations did include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation. However, there was no evidence of date to show that a member of management/board member reviewed the reconciliations within 1 month of the date the reconciliations were prepared.

Management's response: Management agrees with finding and plans to establish procedures to address the above finding.

Collections

- 1. The entity does not use sequentially pre-numbered receipts.

Management's response: Management agrees to finding.

Non-Payroll Disbursements

1. The entity does not have a requisition/purchase order system implemented with job duties properly segregated that involve at least two employees initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Management's response: Management agrees with finding.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

1. There were three transaction total among the three card statements. One of the three transactions was not supported by an original itemized receipt that identified precisely what was purchased. Two of three transaction did not have written documentation of the business/public purpose.

Management's response: Management agrees with findings.

Payroll and Personnel

1. There was no evidence of supervisor approval on employee attendance documentation for one of the five employees selected for the pay period selected.
2. The hourly pay rate paid to one of the five employees selected for the pay period did not agree with the authorized pay rate found within the employee's personnel file. The employee was paid \$3 less than the approved authorized pay rate.
3. The employee salary deferrals for retirement contributions were not paid by the required deadlines for the months of January, February, April, May, July, September, October, November, and December.

Management's response: Management agrees with findings.

Prevention of Sexual Harassment

1. Sexual harassment training documentation demonstrating each employee/official completed at least one hour of sexual harassment training during the calendar year could not be obtained for two of the five employees selected.
2. There is no posting of sexual harassment policy and complaint procedures on the entity's website.
3. The entity did not prepare an annual sexual harassment report for the current fiscal period.

Management's response: Management agrees with findings.

We were engaged by Jefferson Davis Parish Water & Sewer Commission No.1 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 Jefferson Davis Parish Water & Sewer Commission No.1 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.

Mike B. Gillespie, CPA, APAC

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Jennings, Louisiana

June 28, 2024