

WATERWORKS DISTRICT NO. 2
OF THE PARISH OF BEAUREGARD
BEAUREGARD PARISH POLICE JURY
STATE OF LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023

Table of Contents

	Statement	Page(s)
INDEPENDENT AUDITOR’S REPORT	-	1-3
BASIC FINANCIAL STATEMENTS:		
Statement of Net Position	A	5
Statement of Activities	B	6
Statement of Net Position – Proprietary Fund	C	7-8
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	D	9
Statement of Cash Flows – Proprietary Fund	E	10-11
Notes to the Financial Statements	-	13-20
	Schedule	Page(s)
Other Supplemental Schedules		
Schedule of Per Diem Paid to Board Members	1	22
Schedule of Compensation, Benefits and Other Payments to Agency Head	2	23
Other Reports		
Schedule of Prior Year Audit Findings	3	25
Schedule of Current Year Audit Findings and Management’s Response	4	26
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>	-	27-28
Independent Accountant’s Report on Applying Agreed-Upon Procedures	-	29-37

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, a component of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana'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 business-type activities and the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’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 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. 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s basic financial statements. The accompanying schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid to board members and schedule of compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s internal control over financial reporting and compliance.



DeRidder, Louisiana
June 26, 2024

BASIC FINANCIAL STATEMENTS

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement A

Statement of Net Position
For the Year Ending December 31, 2023

	Business-type Activities - Enterprise Fund Water and Sewer
Assets	
Current assets	
Cash and cash equivalents	\$ 2,412,824
Receivables:	
Accounts	98,149
Ad valorem taxes	704,881
Restricted assets	
Cash and cash equivalents	555,847
Total current assets	<u>\$ 3,771,701</u>
Noncurrent assets	
Land	\$ 124,673
Work in progress	13,600
Utility plant and equipment - net	6,350,278
Total noncurrent assets	<u>\$ 6,488,551</u>
Total assets	<u><u>\$ 10,260,252</u></u>
Liabilities	
Accounts payable	\$ 31,867
Contracts payable	2,500
Payroll taxes payable	1,082
Pension payable - ad valorem tax	24,750
Liabilities payable from restricted assets:	
Due within one year - revenue bonds	83,000
Long term debt:	
Due in more than one year - revenue bonds	1,762,542
Customer deposits	13,200
Total liabilities	<u>\$ 1,918,941</u>
Net Position	
Net investment in capital assets	\$ 4,640,509
Restricted	472,847
Unrestricted	3,227,955
Total net position	<u>\$ 8,341,311</u>
Total liabilities and net position	<u><u>\$ 10,260,252</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement B

Statement of Activities
For the Year Ending December 31, 2023

Program Activities	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Business-type Activities
		Charges for Services	Capital Grants and Contributions	
Business-type activities:				
Water system	\$ 1,480,315	\$ 1,008,984	\$ 260,750	\$ (210,581)
General revenues:				
Investment earnings				\$ 36,029
Insurance proceeds				49,900
Ad valorem tax receipts				769,015
Miscellaneous income				11
Total general revenues				\$ 854,955
Change in net position				\$ 644,374
Net position at beginning of year				7,696,937
Net position at end of year				\$ 8,341,311

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement C

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2023

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,412,824
Receivables:	
Accounts	98,149
Ad valorem taxes	704,881
Total current assets	<u>\$ 3,215,854</u>
Restricted Assets	
Cash and cash equivalents	<u>\$ 555,847</u>
Noncurrent assets	
Land	\$ 124,673
Work in progress	13,600
Utility plant and equipment - net	6,350,278
Total noncurrent assets	<u>\$ 6,488,551</u>
Total assets	<u><u>\$ 10,260,252</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 31,867
Contracts payable	2,500
Payroll taxes payable	1,082
Pension payable - ad valorem tax	24,750
Total current liabilities	<u>\$ 60,199</u>
Liabilities payable from restricted assets	
Current portion of revenue bond	<u>\$ 83,000</u>
Noncurrent liabilities	
Customer deposits	\$ 13,200
Bonds payable	1,762,542
Total noncurrent liabilities	<u>\$ 1,775,742</u>
Total liabilities	<u>\$ 1,918,941</u>
	(Continued)

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement C

Statement of Net Position
Proprietary Fund
For the Year Ending December 31, 2023

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Net Position	
Net investment in capital assets	\$ 4,640,509
Restricted for debt service	472,847
Unrestricted	<u>3,227,955</u>
Total net position	<u>\$ 8,341,311</u>
Total liabilities and net position	<u>\$ 10,260,252</u> (Concluded)

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ending December 31, 2023

	Business-type Activities - Enterprise Fund <u>Water and Sewer</u>
Operating revenues	
Charges for services	<u>\$ 1,008,984</u>
Operating expenses	
Personal services and related benefits	\$ 442,477
Travel and training	5,844
Supplies	219,626
Contractual services	487,692
Depreciation	253,921
Total operating expenses	<u>\$ 1,409,560</u>
Income (loss) from operations	<u>\$ (400,576)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 36,029
Insurance proceeds	49,900
Ad valorem taxes	769,015
Ad valorem taxes - pension expense	(24,750)
Interest expense	(36,616)
Bond administration fees	(9,389)
Miscellaneous income	11
Total nonoperating revenue (expenses)	<u>\$ 784,200</u>
Income (loss) before contributions	\$ 383,624
Capital contributions	<u>260,750</u>
Change in net position	\$ 644,374
Net position at beginning of year	<u>7,696,937</u>
Net position at end of year	<u><u>\$ 8,341,311</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2023

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,007,620
Cash payments to suppliers for goods and services	(731,395)
Cash payments to employees for services	(441,413)
Net cash used by operating activities	<u>\$ (165,188)</u>
Cash flows from capital and related financing activities:	
Interest expense	\$ (36,616)
Bond administration fees	(9,389)
Acquisition and construction of capital assets	(493,699)
Insurance proceeds	49,900
Principal paid on bonds	(81,000)
Bond proceeds	187,992
Capital contributions	260,750
Net cash used for capital and related financing activities	<u>\$ (122,062)</u>
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 662,647
Pension paid on ad valorem taxes	(20,660)
Miscellaneous	11
Net cash provided by non-capital and related financing activities	<u>\$ 641,998</u>
Cash flow from investing activities:	
Investment income	<u>\$ 36,029</u>
Net increase (decrease) in cash and cash investments	\$ 390,777
Cash and cash equivalents, beginning	<u>2,577,894</u>
Cash and cash equivalents, ending	<u>\$ 2,968,671</u>

(Continued)

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ending December 31, 2023

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	<u>\$ (400,576)</u>
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation	\$ 253,921
Change in assets and liabilities:	
Increase in accounts receivable	(3,014)
Decrease in accounts payable	(18,233)
Increase in payroll benefits payable	1,064
Increase in customer deposits payable	1,650
Net cash used by operating activities	<u>\$ (165,188)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements
As of and for the Year Ending December 31, 2023

INTRODUCTION

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five compensated board members appointed by the Beauregard Parish Police Jury.

The District is located in central Beauregard Parish in the southwestern region of the State of Louisiana. The District provides rural water service to approximately 1,600 residents and employs approximately seven employees.

The accounting and reporting policies of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) 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.

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. Charges for services of providing water services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, 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, and then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

The District's cash is considered to be cash on hand, and demand deposits. Cash equivalents include amounts in time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's investment policy allow the entity 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.

D. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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 business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District 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 assets lives are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	20-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	3-15 years
Vehicles	5 years

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

F. Compensated Absences

The District has no formal leave policy and does not provide for the accumulation and vesting of leave.

G. Long Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items as of December 31, 2023.

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

J. Restricted Net Position

For government-wide statements of net position, net position is reported as restricted when constraints placed on net position are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

K. Receivables and Payables

The District levies taxes on real and business personal property located within the boundaries of the district. Property taxes are levied by the district on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the district. Collections are remitted to the district monthly. The District recognizes property tax revenues when levied.

Property Tax Calendar

Assessment date	January 1, 2023
Levy date	June 30, 2023
Tax bills mailed	October 15, 2023
Total taxes are due	December 31, 2023
Penalties & interest due	January 31, 2024
Lien date	January 31, 2024
Tax sale	May 15, 2024

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

For the year ended December 31, 2023, taxes of 17.45 mills were levied on property with an assessed valuation totaling \$41,769,277 and were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General Maintenance	17.45	17.45	Annually

The following are principal taxpayers and related property tax revenue for the District:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Gulf Run Transmission LLC	Oil & Gas	\$ 9,905,962	23.72%	\$ 234,969
Daylight Petroleum, LLC	Oil & Gas	2,895,193	6.93%	20,064
Dunn Exploration Co. LLC	Oil & Gas	2,616,361	6.26%	16,378
Energy Transfer Crude Oil Co., LLC	Oil & Gas	3,609,757	8.64%	31,188
Total		\$ 19,027,273	45.55%	\$ 302,599

2. CASH AND CASH EQUIVALENTS

At December 31, 2023, the District has cash (book balances) totaling \$2,968,671 as follows:

Petty cash	\$ 463
NOW accounts	2,968,208
Total	\$ 2,968,671

The cash and cash equivalents of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At December 31, 2023, the District has \$3,030,604 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$2,530,604 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the district and are therefore properly collateralized.

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

3. RECEIVABLES

The receivables of \$803,030 at December 31, 2023, are as follows:

Class of receivable	
Accounts	\$ 98,149
Ad valorem taxes	704,881
Total	\$ 803,030

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2023, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 124,673	\$ -	\$ -	\$ 124,673
Work in progress	2,046,984	110,296	2,143,680	13,600
Total capital assets, not being depreciated	\$ 2,171,657	\$ 110,296	\$ 2,143,680	\$ 138,273
Capital assets being depreciated				
Vehicles	\$ 242,661	\$ -	\$ -	\$ 242,661
Buildings	747,366	-	-	747,366
Furniture	30,569	-	-	30,569
Utility plant and improvements	6,955,232	2,120,785	-	9,076,017
Machinery and equipment	587,432	193,752	-	781,184
Total capital assets being depreciated	\$ 8,563,260	\$ 2,314,537	\$ -	\$ 10,877,797
Less accumulated depreciation for:				
Vehicles	\$ 112,134	\$ 39,248	\$ -	\$ 151,382
Buildings	105,931	18,849	-	124,780
Furniture	12,523	3,008	-	15,531
Utility plant and improvements	3,669,761	161,336	-	3,831,097
Machinery and equipment	373,249	31,480	-	404,729
Total accumulated depreciation	\$ 4,273,598	\$ 253,921	\$ -	\$ 4,527,519
Total business-type assets being depreciated, net	\$ 4,289,662	\$ 2,060,616	\$ -	\$ 6,350,278

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

5. INVESTED IN CAPITAL ASSETS – NET

	Business-type Activities
Capital assets not being depreciated	\$ 138,273
Capital assets being depreciated	10,877,797
Total capital assets	\$ 11,016,070
Less:	
Accumulated depreciation	\$ (4,527,519)
Contracts payable	(2,500)
Bonds payable	(1,845,542)
Total	\$ (6,375,561)
Net investment in capital assets	\$ 4,640,509

6. CONSTRUCTION COMMITMENTS

The District had active construction projects as of December 31, 2023. The District had the following construction projects. The District has a Flow Meter Project at the Lane Road Booster Station Project, B. Franks Road Waterline Replacement, R. Clark Road Waterline Relocation, Water Sector Booster Improvements, and the Interconnection of Fields and Phelps Service Area.

Project	Spent to Date	Remaining Commitment
B. Franks Road Waterline Replacement	\$ 2,081	\$ 42,919
R. Clark Road Waterline Relocation	2,162	52,173
Interconnection of Fields and Phelps Service Area	2,500	453,020
Lane Road Booster Station Project	2,857	257,143
Water Sector Booster Improvements	4,000	1,496,000

7. ACCOUNTS AND OTHER PAYABLES

The payables of \$73,399 at December 31, 2023, are as follows:

Accounts	\$ 31,867
Contracts	2,500
Payroll taxes	1,082
Pension plan - ad valorem tax	24,750
Customer deposits	13,200
Total	\$ 73,399

8. RETIREMENT SYSTEMS

Waterworks District No. 2, Parish of Beauregard 401(a) Defined Contribution Plan.

The plan is a government retirement plan administered by Nationwide Retirement Solutions, Inc. All employees with at least three months of service are eligible to participate in the plan. Participants are fully vested in the plan as to the employer's contributions after three years of service. The plan is funded solely by the employer who will make matching contributions equal to 100% of the participants elective deferrals to the Waterworks District No. 2, Parish of Beauregard 457(b) Deferred Compensation Plan that do not exceed 4% of the participants compensation.

Waterworks District No. 3 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

9. LONG-TERM DEBT OBLIGATIONS

The following is a summary of the long-term debt obligations transactions for the year ended December 31, 2023:

	Water Revenue Bonds
Long-term obligations at beginning of year	\$ 1,926,542
Additions	-
Principal payments	(81,000)
Long-term obligations at end of year	\$ 1,845,542

The following is a summary of the 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, 2023:

	Water Revenue Bonds
Current portion	\$ 83,000
Long-term portion	1,762,542
Total	\$ 1,845,542

Bonded debt is comprised of the following issue at December 31, 2023:

Water Revenue Bonds, Series 2020:

\$2,000,000 Series 2020 Taxable Water Revenue Bonds
Due in annual installments of \$79,000 to \$123,000,
July 1, 2022 through July 1, 2041;
Interest at the rate of 1.95%

\$1,845,542

The estimated annual requirements to amortize all bonds outstanding at December 31, 2023 for the District, including interest payment of 347,275, are as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2024	\$ 83,000	\$ 35,179	\$ 118,179
2025	85,000	33,540	118,540
2026	87,000	31,864	118,864
2027	89,000	30,148	119,148
2028	91,000	28,393	119,393
2029 - 2033	491,000	114,079	605,079
2034 - 2038	553,000	63,223	616,223
2039 - 2041	366,542	10,849	377,391
Total	\$ 1,845,542	\$ 347,275	\$ 2,192,817

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Concluded)

10. RESTRICTED NET POSITION

RESTRICTED ASSETS	
Bonds sinking fund	\$ 205,847
Bond depreciation contingency fund	100,000
Project grant fund	250,000
Total	<u>\$ 555,847</u>
Less:	
Liabilities payable from restricted assets	
Bonds payable	<u>\$ (83,000)</u>
Restricted net position	<u>\$ 472,847</u>

OTHER SUPPLEMENTAL SCHEDULES

Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ending December 31, 2023

<u>Board Member</u>	<u>Amount</u>
Bill White	\$ 840
Lisa Gearen	780
Richelle Bowman	840
Jerry Cooley	480
Carroll Johnson	<u>900</u>
Total	<u>\$ 3,840</u>

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ending December 31, 2023

Mr. Jerry Cooley, Board President

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

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ending December 31, 2023

There were no prior year audit findings as of December 31, 2022.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2023

Finding – Financial Statement Audit

Audit Finding No. 2023-1

Cyber security training not completed

Condition:	Cyber security training as required by Revised Statute 42:1267 was not completed by the employees or officials that had access to information technology assets.
Criteria:	Revised Statute 42:1267 requires cyber security training for all employees and officials that have access to information technology assets.
Cause and Condition:	The employees or officials were not aware of the cyber security training requirement.
Potential Effect of Condition:	Violation of Revised Statute 42:1267
Recommendation:	We recommend that the employees and all officials that have access to information technology assets complete the required training and that the clerk monitor the completion.

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

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

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of 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 and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated June 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) as a basis for designing 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 Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year audit findings and management's response as item Audit Finding No. 2023-1.

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s response to the findings identified in our audit and described in the accompanying schedule of current year audit findings and management’s response. Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



DeRidder, Louisiana
June 26, 2024

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

To the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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. Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's management is responsible for those C/C areas identified in the SAUPs.

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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.

Written policies and procedures obtained and address the functions listed.

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.
No exceptions noted.
 - 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 comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, 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.*
No exceptions noted.
 - 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.
Not applicable.
 - 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.
Not applicable.

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:

- 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);

No exceptions noted.

- 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 the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

No exceptions noted.

- 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.

No exceptions noted.

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).

Only one deposit site.

- 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

- i. Employees responsible for cash collections do not share cash drawers/registers;

No exceptions noted.

- 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;

No exceptions noted.

- 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

No exceptions noted.

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

No exceptions noted.

- 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.

No exceptions noted.

- 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.
No exceptions noted.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exceptions noted.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
No exceptions noted.
- 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).
No exceptions noted.
- v. Trace the actual deposit per the bank statement to the general ledger.
Examined two random deposit dates for each account, no exceptions noted.

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).
Only one location processes payments.
- 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:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
No exceptions noted.
 - ii. At least two employees are involved in processing and approving payments to vendors;
No exceptions noted.
 - 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;
No exceptions noted.
 - 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
No exceptions noted.
 - 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.

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

No exceptions noted.

- 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
- 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
No exceptions noted.
 - 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.
No exceptions noted.
- 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.*

No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/P-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 listing of all credit cards.
- 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
No exceptions noted.
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
No exceptions noted.
- 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.

No exceptions noted.

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:
- 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.

No exceptions noted; travel and training expenses are approved by the board as noted in the minutes.

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:
- 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.

No exceptions noted.

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.
- No exceptions noted.*
- 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.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

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.

No exceptions noted.

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

The District's finance director is the designee.

11) Debt Service

- 23. 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.

No exceptions noted.

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

No exceptions noted.

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.

Not applicable.

- 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.

No exceptions noted.

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.
- 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.
- 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.

No exceptions noted.

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

Exception: The District’s employees have not completed this; they are now aware of the requirement and will complete the training.

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.

No exceptions noted.

- 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).

No exceptions noted.

Members of the Board of Commissioners
Waterworks District No. 2 of the Parish of Beauregard
State of Louisiana

- 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;
No exceptions noted.
 - ii. Number of sexual harassment complaints received by the agency;
None.
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
Not applicable.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
Not applicable.
 - v. Amount of time it took to resolve each complaint.
Not applicable.

We were engaged by the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana 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.

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
June 26, 2024