

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

ANNUAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Southwest Allen Parish Water District No. 2, component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District'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 of Southwest Allen Parish Water District No. 2, component unit of the Allen Parish Police Jury, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Southwest Allen Parish Water District No. 2, component unit of the Allen Parish Police Jury, 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 opinion.

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.

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

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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, 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 Responsibility 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 with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal 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 judgement 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 judgement 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 accounts 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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, 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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, ability to continue as a going concern for a reasonable period of time.

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

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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, basic financial statements. The accompanying Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for the purpose 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 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 Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 on our consideration of Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, 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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, 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 Southwest Allen Parish Water District No. 2's, component unit of the Allen Parish Police Jury, internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 24, 2022

FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current assets:

| | |
|----------------------|------------------|
| Cash | \$ 1,878,595 |
| Cash - restricted | 607,130 |
| Investments | 120,353 |
| Receivables - net | 184,442 |
| Prepaid assets | <u>13,409</u> |
| Total current assets | <u>2,803,929</u> |

Non-current assets:

| | |
|--|------------------|
| Capital assets - net of accumulated depreciation | <u>5,556,787</u> |
| Total non-current assets | <u>5,556,787</u> |

TOTAL ASSETS 8,360,716

LIABILITIES AND NET POSITION

Current liabilities:

| | |
|---------------------------------|---------------|
| Accounts payable | 60,927 |
| Accrued liabilities | 5,825 |
| Payable from restricted assets: | |
| Customer deposits | <u>24,962</u> |
| Total current liabilities | <u>91,714</u> |

Non-current liabilities

| | |
|------------------------------------|------------------|
| Long-term portion of bonds payable | <u>3,075,196</u> |
|------------------------------------|------------------|

TOTAL LIABILITIES 3,166,910

Net Position:

| | |
|----------------------------------|------------------|
| Net investment in capital assets | 2,481,591 |
| Restricted: | |
| Debt service | 578,304 |
| Construction | 846 |
| Unrestricted | <u>2,133,065</u> |

TOTAL NET POSITION 5,193,806

TOTAL LIABILITIES AND NET POSITION \$ 8,360,716

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2021

| | | |
|------------------------------------|---------------------------------------|---------------------|
| OPERATING REVENUES: | | |
| Charges for services | | \$ 1,420,382 |
| Miscellaneous | | 28,553 |
| | TOTAL OPERATING REVENUES | <u>1,448,935</u> |
| OPERATING EXPENSES: | | |
| Advertising | | 2,056 |
| Computer service | | 6,356 |
| Depreciation | | 265,178 |
| Dues | | 475 |
| Fees | | 1,775 |
| Freight | | 14 |
| Insurance - general | | 39,132 |
| Insurance - health | | 71,465 |
| Interest | | 79,873 |
| Miscellaneous | | 16,176 |
| Bad debt | | 8,816 |
| Office | | 40,492 |
| Per diem | | 3,120 |
| Professional fees | | 16,617 |
| Repairs and maintenance | | 63,402 |
| Retirement | | 33,047 |
| Salaries | | 327,886 |
| Supplies | | 97,430 |
| Taxes and licenses | | 23,909 |
| Transportation | | 19,223 |
| Utilities | | 148,186 |
| Water administration fees | | 24,817 |
| | TOTAL OPERATING EXPENSES | <u>1,289,445</u> |
| | OPERATING INCOME (LOSS) | <u>159,490</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Dividend revenue | | 4,896 |
| Interest income | | 1,746 |
| | TOTAL NON-OPERATING INCOME (EXPENSES) | <u>6,642</u> |
| CHANGE IN NET POSITION | | 166,132 |
| NET POSITION- BEGINNING | | <u>5,027,674</u> |
| NET POSITION - ENDING | | <u>\$ 5,193,806</u> |

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

| | |
|--|---------------------|
| Cash Flows from Operating Activities: | |
| Received from customers and users | \$ 1,420,410 |
| Other operating receipts | 28,553 |
| Payments for supplies and services | (767,988) |
| Payments to employees, benefits and payroll taxes | (385,435) |
| Net Cash Provided by Operating Activities | <u>295,540</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchases of capital assets | (294,387) |
| Proceeds from long-term debt | 338,455 |
| Bond payments | (164,000) |
| Net Cash Provided (Used) from (for) Capital and Related Financing Activities | <u>(119,932)</u> |
| Cash Flows from Investing Activities: | |
| (Increase) Decrease in investments | (55.00) |
| Interest received | 1,746 |
| Dividends received | 4,896 |
| Net Cash Provided (Used) from (for) Investing Activities | <u>6,587</u> |
| Net Increase (Decrease) in Cash and Equivalents | 182,195 |
| Cash and Cash Equivalents at Beginning of Year | 2,303,530 |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,485,725</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating income (loss) | \$ 159,490 |
| Depreciation | 265,178 |
| Provisions for bad debts | 6,540 |
| (Increase) decrease in: | |
| Receivables - trade | (6,513) |
| Prepaid expenses | 6,502 |
| Increase (decrease) in: | |
| Accounts payable | (136,789) |
| Accrued liabilities | (593) |
| Rent deposits | 1,725 |
| Net Cash Provided by Operating Activities | <u>\$ 295,540</u> |
| Reconciliation of Total Cash: | |
| Current assets-cash | \$ 1,878,595 |
| Restricted assets-cash | 607,130 |
| Total Cash | <u>\$ 2,485,725</u> |
| Supplemental Disclosure: | |
| Cash paid for interest - \$79,873 | |

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

INTRODUCTION

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

REPORTING ENTITY

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Basis of Accounting

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

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

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

B. Deposits and Investments

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Prepaid Items

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

D. Accounts Receivable

An allowance for doubtful accounts is computed under the allowance method, based upon historical data and management’s estimates of uncollectible accounts. The provision for doubtful accounts at December 31, 2021, was \$9,008.

Receivables at December 31, 2021 consist of the following:

| | | |
|----------------|----|---------|
| Customers, net | \$ | 184,442 |
| Total | \$ | 184,442 |
| | | |
| | | |

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

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of December 31, 2021, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Southwest Allen Parish Water District No. 2 maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

F. Estimates

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

G. Compensated Absences

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

H. Statement of Cash Flows

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

| | |
|--|---------------------|
| Interest-bearing demand deposits | \$ 2,274,847 |
| Non-Interest-bearing demand deposits | 210,478 |
| Other | 400 |
| Total | <u>\$ 2,485,725</u> |

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held by the pledging financial institution's trust department or agent, in the District's name. At December 31, 2021, the District has \$2,487,246 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$2,702,568 of pledged securities held by the pledging financial institution's trust department or agent, in the District's name.

NOTE 3 - INVESTMENTS

Investments held by the District at December 31, 2021, consist of \$120,353 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds (LAMP is a 2a7-like investment pool) and therefore not evidenced by securities that exist in physical or book entry form. Also, pooled investments are excluded from the concentration of credit risk 5 percent disclosure requirement and foreign currency risk is not applicable to 2a7-like pools.

LAMP is 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. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments. LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAAM by Standard & 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 make up the pool; therefore, no disclosure is required.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - INVESTMENTS (Continued)

- 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 is 45 days as of December 31, 2021.
- 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.

NOTE 4 - FIXED ASSETS

A summary of fixed assets at December 31, 2021 follows:

| | Beginning of Year | Capital Acquisitions | Capital Dispositions | End of Year |
|---|---------------------|-------------------------|-------------------------|---------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 56,243 | \$ - | \$ - | \$ 56,243 |
| Construction in progress | 1,000 | 226,827 | - | 227,827 |
| Total capital assets, not being depreciated | <u>57,243</u> | <u>226,827</u> | <u>-</u> | <u>284,070</u> |
| Capital assets being depreciated | | | | |
| Building | 117,569 | - | - | 117,569 |
| Distribution system | 8,266,652 | 62,195 | - | 8,328,847 |
| Furniture, fixtures, & equipment | 424,969 | 5,364 | - | 430,333 |
| Total capital assets being depreciated | <u>8,809,190</u> | <u>67,559</u> | <u>-</u> | <u>8,876,749</u> |
| Accumulated depreciation | (3,338,854) | (265,178) | - | (3,604,032) |
| Total capital assets being depreciated, net | <u>\$ 5,527,579</u> | <u>\$ 29,208</u> | <u>\$ -</u> | <u>\$ 5,556,787</u> |

Depreciation expense was \$265,178 for the year ended December 31, 2021.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - COMPONENTS OF RESTRICTED ASSETS

The customer deposit account had a balance of \$27,979 as of December 31, 2021. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$24,962 as of December 31, 2021.

The District was required by the bond covenants of the Water Revenue Bonds, Series 2010B and Water Revenue Bonds, Series 2018 to establish accounts for the bond principle and interest payments, construction, and any future maintenance on the new water well (Series 2010B) and water system improvements (Series 2018). The Revenue Bond Debt Service Fund had a balance of \$209,631 as of December 31, 2021. The account is restricted for the use of bond payments. The Revenue Bond Debt Service Reserve Fund had a balance of \$91,354 as of December 31, 2021. The account is restricted for the use of bond payments, if ever necessary. The Depreciation and Contingency Fund had a balance of \$277,319 as of December 31, 2021. The account is restricted for extensions, additions, improvements, renewals and replacements to the System or for the payment of principal or interest on the Bonds if there is not sufficient money in the Debt Service or Reserve Fund. The construction account had a balance of \$846 as of December 31, 2021. The account is restricted for water system improvement projects.

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN

The District sponsors a Simplified Employee Pension (SEP) Plan which is considered a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of New York Life Trust Company. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District contributes 10% of each participating employee's monthly gross salary. Eligibility requires the employee to have attained the age of eighteen (18) and are eligible immediately upon hire. Employer contributions were \$33,047 in 2021. Employee contributions were \$2,700 in 2021.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2021.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 - LONG-TERM OBLIGATION

The following is a summary of the long-term obligation transactions for the year ended December 31, 2021.

| | <u>Bonded Debt</u> |
|--|---------------------|
| Long-term obligations at Beginning of Year | \$ 2,900,742 |
| Additions | 338,454 |
| Deductions | (164,000) |
| Long-term obligations at End of Year | <u>\$ 3,075,196</u> |

The following is a summary of current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2021.

| | <u>Bonded Debt</u> |
|-------------------|---------------------|
| Current portion | \$ - |
| Long-term portion | 3,075,196 |
| Total | <u>\$ 3,075,196</u> |

The bonds outstanding as of December 31, 2021, includes a Utility Drinking Water Revolving Loan bond maturing in 2030 with an interest rate of 2.95%. Interest expense for 2021 was \$12,679. The original issue price of the bonds is \$696,500. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

The bonds outstanding at December 31, 2021, also includes a Utility Drinking Water Revolving Loan bond maturing in 2039 with an interest rate of 1.95%. Interest expense for 2021 was \$67,194. The original issue price of the bonds is \$4,000,000. In the event of a default, the District agrees to pay the Purchaser, on demand, interest on any and all amounts due and owing by the District under this Agreement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 - LONG-TERM OBLIGATION (Continued)

The following schedules reflect the original bond amounts.

| Bond | Original Issue | Interest Rate | Final Payment Due | Interest to Maturity | Principal Outstanding | Funding Source |
|-----------------------------------|----------------|---------------|-------------------|----------------------|-----------------------|----------------|
| Water Revenue Bonds, Series 2010B | \$ 696,500 | 2.95% | January 1, 2030 | \$ 52,647 | \$ 330,500 | Water Revenue |
| Water Revenue Bonds, Series 2018 | \$ 4,000,000 | 1.95% | January 1, 2039 | \$ 716,925 | \$ 2,744,696 | Water Revenue |

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

| Year Ending December 31, | Principal Payments | Interest Payments | Total |
|-----------------------------|-----------------------|----------------------|---------------------|
| 2022 | - | 43,382 | 43,382 |
| 2023 | 186,000 | 84,296 | 270,296 |
| 2024 | 191,000 | 79,593 | 270,593 |
| 2025 | 195,000 | 74,169 | 269,169 |
| 2026 | 200,000 | 68,925 | 268,925 |
| 2027-2031 | 1,028,500 | 262,261 | 1,290,761 |
| 2032-2036 | 968,000 | 138,597 | 1,106,597 |
| 2037-2038 | 306,696 | 18,348 | 325,044 |
| Total | <u>\$ 3,075,196</u> | <u>\$ 769,571</u> | <u>\$ 3,844,767</u> |

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

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 - BOARD OF COMMISSIONERS' FEES

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during 2021 are as follows:

| | |
|------------------|----------|
| Katrena Rosas | \$ 400 |
| Wayne Bell | 320 |
| Dylan Riley | 280 |
| Patrick Lafargue | 720 |
| Gary Savant | 360 |
| Total | \$ 2,080 |

NOTE 10 - CONTINGENCIES AND COMMITMENTS

The District was authorized \$3,500,000 in Water Revenue Bonds, Series 2018. As of December 31, 2021, the District has incurred \$2,744,696 of these bonds. The District is expected to incur and utilize the remaining bond money in 2022.

NOTE 11 - SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through the date of the audit report, the date which the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 12 - CONSTRUCTION IN PROGRESS

The District has a construction project in progress at December 31, 2021. The following is a schedule of that project.

| | Estimated Total Costs | Cost Incurred to Date | Estimated Completion Date |
|---------------------------------|--------------------------|-----------------------------|------------------------------|
| Ground Storage Tank Replacement | \$ 855,047 | \$ 227,827 | July 2022 |

SUPPLEMENTAL INFORMATION

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

Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, 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 Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectivity comprise Southwest Allen Parish Water District No. 2's basic financial statements and have issued our report thereon dated June 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Allen Parish Water District No. 2'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 the Southwest Allen Parish Water District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Allen Parish Water District No. 2's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Allen Parish Water District No. 2's financial statements are free from material misstatement, 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Government Auditing Standards requires the auditor to perform limited procedures on Southwest Allen Parish Water District No. 2's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Southwest Allen Parish Water District No. 2'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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 24, 2022

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

Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2021

Agency Head Name: Patrick Lafargue

| Purpose | Amount |
|--|---------------|
| Salary | \$ - |
| Benefits-insurance | - |
| Benefits-retirement | - |
| Benefits-other | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | 720 |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Kinder, Louisiana
Schedule of Findings and Responses
Year Ended December 31, 2021

2021-1 Segregation of Duties

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

2021-2 Controls over Financial Reporting

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

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Kinder, Louisiana
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2021

2020-1 (Ongoing finding) Segregation of duties:

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.
See 2021-1.

2020-2 (Ongoing finding) Controls Over Financial Reporting:

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.
See 2021-2.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Southwest Allen Parish Water District No. 2 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, 2021 through December 31, 2021. Southwest Allen Parish Water District No. 2's management is responsible for those C/C areas identified in the SAUPs.

Southwest Allen Parish Water District No. 2 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, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We performed the Information Technology Disaster Recovery/Business Continuity procedure 1k and discussed the results with management.

Exception (1b): The Purchasing policy does not include (2) how vendors are added to the vendor list.

Exception (1i): The District does not have a written Ethics policy.

Exception (1j): The District does not have a written Debt Service policy.

Exception (1l): The District does not have a written Sexual Harassment policy.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Exception (2b): The District's, a proprietary fund, minutes did not include budget-to-actual comparison.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were found as a result of these procedures.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exception (5a): The District maintains only one cash drawer which is use by the three office personnel employees utilize to accept and process customer payments.

Exception (5b): Due to limited office personnel (3 office employees), occasionally the Office Manager prepares or makes bank deposits and reconciles collection documentation.

Exception (5c): Due to limited small office personnel (3 office employees), the Office Manager who occasionally collects cash also posts to the general ledger and reconciles daily receipt collections.

Exception (5d): Due to limited small office personnel (3 office employees), the Office Manager who occasionally collects cash also posts/reconciles to the general ledger and reconciles daily receipt collections.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

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

Exception (9a): Noted some purchases do not require a second pre-purchase approval.

Exception (9c): The employee responsible for processing payments also adds/modifies vendor files.

Exception (9d): Occasionally the Office Manager who processes payments also mails checks.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement

forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

Payroll and Personnel

16. 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.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. 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 were found as a result of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were found as a result of these procedures.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were found as a result of these procedures.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exception (24): Fraud notice is not posted on the entity's premises or website.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers

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

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exception (26): No sexual harassment training noted for the 5 randomly selected employees tested.

Exception (27): The entity’s website does have posted the entity’s sexual harassment policy and complaint procedure.

Exception (28a): The entity’s employees have not completed the annual sexual harassment training.

Management’s Responses

1b - The District will update their purchasing policy to include (2) how vendors are added to the vendor list.

1i – The District will compose and implement a written ethics policy.

1j - The District will compose and implement a written debt service policy.

11 – The District will compose and implement a written sexual harassment policy.

2b – The District will prepare and review budget-to-actual comparisons at their monthly board minutes.

5a – Due to limited office personnel, the District believes it is not cost beneficial to maintain additional cash drawers for each employee who accepts customer payments.

5b, 5c and 5d – Due to limited office personnel, the District believes it is not cost beneficial to hire additional employees to completely separate these functions.

9a – Due to limited office personnel, the District believes it is not cost beneficial to require a second pre-purchase approval for applicable items.

9c – The District will request the Plant Superintendent to periodically review changes to vender files.

9d - Due to limited office personnel, the District believes it is not cost beneficial to hire additional employees to completely separate this function.

24 – The District will post the fraud notice on its premises and website.

26, 28a – The District will require all employees to complete at least one hour of sexual harassment training annually.

27 – The entity will post its sexual harassment policy and complaint procedure on its website.

We were engaged by Southwest Allen Parish Water District No. 2 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 Southwest Allen Parish Water District No. 2 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.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 24, 2022