

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

**Annual Financial Statements
And Independent Auditor's Report
Year Ended December 31, 2020 and 2019**

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1

Annual Financial Report
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
August 31, 2021

BASIC FINANCIAL STATEMENTS

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and equivalents | \$ 177,749 | \$ 267,595 |
| Investments | 819,971 | 709,067 |
| Accrued interest receivable | 78 | 156 |
| Customer receivables, net of bad debt allowance of \$339 and \$3,463 | 110,282 | 113,916 |
| Prepaid expenses | 9,433 | 16,978 |
| Inventory | 67,560 | 47,361 |
| Total current assets | 1,185,073 | 1,155,073 |
| Noncurrent assets: | | |
| Investments | - | 104,753 |
| Restricted assets: | | |
| Cash and equivalents | 865,305 | 765,333 |
| Total restricted assets | 865,305 | 765,333 |
| Capital assets, net of accumulated depreciation | 5,680,532 | 5,866,269 |
| Total noncurrent assets | 6,545,837 | 6,736,355 |
| TOTAL ASSETS | \$ 7,730,910 | \$ 7,891,428 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 111,096 | \$ 9,735 |
| Salaries, payroll and other taxes payable | 12,100 | 31,890 |
| Compensated absences | 5,465 | 4,607 |
| Accrued interest payable | 377 | 5,411 |
| Due to other governments | 500 | 500 |
| Current portion of long-term liabilities | 135,000 | 127,165 |
| Total current liabilities | 264,538 | 179,308 |
| Current liabilities payable from restricted assets: | | |
| Customer deposits | 246,405 | 240,515 |
| Total current liabilities payable from restricted assets | 246,405 | 240,515 |
| Noncurrent liabilities: | | |
| Revenue bonds payable, net of current portion | 4,450,000 | 4,778,139 |
| Unamortized premium on revenue bonds | 388,388 | - |
| Total noncurrent liabilities | 4,838,388 | 4,778,139 |
| Total liabilities | 5,349,331 | 5,197,962 |
| NET POSITION | | |
| Net investment in capital assets | 707,144 | 960,965 |
| Restricted for debt service | 618,901 | 524,818 |
| Unrestricted | 1,055,534 | 1,207,683 |
| TOTAL NET POSITION | \$ 2,381,579 | \$ 2,693,466 |

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
December 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| OPERATING REVENUES : | | |
| Charges for sales and services | \$ 1,124,625 | \$ 1,139,488 |
| Total operating revenues | 1,124,625 | 1,139,488 |
| OPERATING EXPENSES : | | |
| Salaries and related benefits | 407,152 | 355,902 |
| Operating services: | | |
| Advertising | 1,348 | 773 |
| Copier lease | 1,689 | 1,882 |
| Software maintenance | 6,989 | 6,575 |
| Dues and subscriptions | 600 | 100 |
| Insurance | 25,445 | 24,351 |
| Licenses and fees | 18,689 | 27,396 |
| Miscellaneous expense | 22,118 | 24,467 |
| Professional fees | 20,310 | 17,728 |
| Provision for bad debts | 3,758 | - |
| Postage | 12,852 | 13,065 |
| Seminars | 90 | 1,119 |
| Telephone | 11,421 | 11,310 |
| Travel- lodging, mileage & meals | - | 39 |
| Utilities | 30,540 | 32,824 |
| Materials, supplies and repairs: | | |
| Vehicle expenses | 19,863 | 21,122 |
| Office expense | 11,252 | 19,979 |
| Repairs and maintenance | 251,362 | 107,469 |
| Supplies and chemicals | 42,422 | 41,564 |
| Depreciation expense | 229,602 | 228,313 |
| Total operating expenses | 1,117,502 | 935,978 |
| Operating Income (Loss) | 7,123 | 203,510 |
| NON-OPERATING REVENUES (EXPENSES) : | | |
| Other non-operating revenue | 375 | 650 |
| Interest income | 7,366 | 11,302 |
| Insurance proceeds | 58,673 | 7,487 |
| Penalties and Interest - IRS | - | (7,235) |
| Debt issuance cost | (190,511) | |
| Interest expense (net of amounts capitalized of \$0 and \$0) | (194,913) | (200,002) |
| Total non-operating revenues (expenses) | (319,010) | (187,798) |
| Change in net position | (311,887) | 15,712 |
| TOTAL NET POSITION - BEGINNING | 2,693,466 | 2,677,754 |
| TOTAL NET POSITION - ENDING | \$ 2,381,579 | \$ 2,693,466 |

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**STATEMENTS OF CASH FLOWS**

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 1,134,149 | \$ 1,151,616 |
| Payments to suppliers | (392,041) | (370,874) |
| Payments to employees | (426,084) | (345,416) |
| Net cash provided by operating activities | <u>316,024</u> | <u>435,326</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Other non-operating revenue sources | 59,048 | 8,137 |
| Other non-operating payemnts | - | (7,235) |
| Net cash provided by noncapital financing activities | <u>59,048</u> | <u>902</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets | (43,865) | (22,728) |
| Principal paid on revenue bonds | (4,905,304) | (122,240) |
| Interest paid on revenue bonds | (199,947) | (200,135) |
| Net proceeds from bonds issue to refund revenue bonds | 4,782,877 | - |
| Net cash (used) by capital and related financing activities | <u>(366,239)</u> | <u>(345,103)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales on investments | 89,571 | 438,292 |
| Purchase of investments | (95,722) | (813,820) |
| Interest received | 7,444 | 11,477 |
| Net cash provided (used) by investing activities | <u>1,293</u> | <u>(364,051)</u> |
| Net increase (decrease) in cash and cash equivalents | 10,126 | (272,926) |
| Cash and cash equivalents - beginning of the year | 1,032,928 | 1,305,854 |
| Cash and cash equivalents - end of the year | <u>\$ 1,043,054</u> | <u>\$ 1,032,928</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 7,123 | \$ 203,510 |
| Adjustments to reconcile operating income to net cash provided (used by) operating activities: | | |
| Depreciation expense | 229,602 | 228,313 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 3,634 | 4,078 |
| (Increase) decrease in prepaid expenses | 7,545 | (376) |
| (Increase) decrease in inventory | (20,199) | 4,162 |
| Increase (decrease) in customer deposits | 5,890 | 8,050 |
| Increase (decrease) in accounts payable | 101,361 | (22,897) |
| Increase (decrease) in accrued payroll expenses | (18,932) | 10,486 |
| Net cash provided by operating activities | <u>\$ 316,024</u> | <u>\$ 435,326</u> |

The accompanying notes are an integral part of this statement.

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

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

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

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

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

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

requirements of GASB Statement No. 33. *Accounting and Financial Reporting for Non-Exchange Transactions*.

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

D. CASH AND CASH EQUIVALENTS

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

E. INVENTORIES

Inventory of materials and supplies are valued at average cost.

F. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

G. PREPAID EXPENSE

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

H. RESTRICTED ASSETS / RESOURCES

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

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

I. CAPITAL ASSETS

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

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

J. COMPENSATED ABSENCES

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

L. NET POSITION

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

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

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

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

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

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

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

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. CAPITALIZATION OF INTEREST

It is the policy of the Commission to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. Net interest costs capitalized totaled \$0 and \$0 during 2020 and 2019.

O. OPERATING AND NONOPERATING ITEMS

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

2. CASH AND CASH EQUIVALENTS

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

| | <u>2020</u> | <u>2019</u> |
|---------------------|----------------------------|----------------------------|
| Demand deposits | \$ <u>1,043,054</u> | \$ <u>1,032,928</u> |
| Total Book Balances | \$ <u><u>1,043,054</u></u> | \$ <u><u>1,032,928</u></u> |

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

Also, state law requires that deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a financial institution failure, the Commission’s deposits may not be recovered. The Commission does not have a policy that addresses credit risk; however, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. The deposit balances (collected bank balances) at year-end were as follows:

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

| | | |
|-----------------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Collected bank balances | \$ <u>1,071,663</u> | <u>1,035,351</u> |
| Deposits were secured as follows: | | |
| Insured deposits | 310,156 | 253,168 |
| Pledged securities | <u>761,507</u> | <u>\$ 782,183</u> |
| Total | <u>\$ 1,071,663</u> | <u>\$ 1,035,351</u> |

The pledged securities are held by the pledging bank’s agent in the bank’s name. Even though the pledged securities are considered uncollateralized Louisiana Revised Statute (LRS) 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

3. INVESTMENTS

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

| Investment Type | 2020 | | 2019 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Certificates of Deposit | \$ 106,306 | \$ 106,306 | \$ 104,753 | \$ 104,753 |
| Louisiana Asset Management Pool (LAMP) | <u>713,665</u> | <u>713,665</u> | <u>709,067</u> | <u>709,067</u> |
| Total | <u>\$ 819,971</u> | <u>\$ 819,971</u> | <u>\$ 813,820</u> | <u>\$ 813,820</u> |

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

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

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

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

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

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

Credit risk: LAMP is rated AAAM by 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.

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating variable rate investments. The WAM for LAMP's total investments (to reset) is 54 days and (to final) is 77 days as of August 30, 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.

4. RECONCILIATION OF DEPOSITS AND INVESTMENTS

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|---------------------|
| Carrying amount of deposits | \$ 1,043,054 | \$ 1,032,928 |
| Carrying amount of investments | <u>819,971</u> | <u>813,820</u> |
| Total | <u>\$ 1,863,025</u> | <u>\$ 1,846,748</u> |
| Cash equivalents | \$ 177,749 | \$ 267,595 |
| Cash equivalents – Restricted | 865,305 | 765,333 |
| Investments | 819,971 | 813,820 |
| Investments – Restricted | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,863,025</u> | <u>\$ 1,846,748</u> |

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

5. RECEIVABLES

The following is a summary of receivables at year end:

| | | |
|---------------------------------------|-------------------|-------------------|
| Customer receivables: | 2020 | 2019 |
| Current | \$ 56,329 | \$ 52,894 |
| Past Due | 8,117 | 15,665 |
| Gross customer receivables | <u>64,446</u> | <u>68,559</u> |
| Accrued unbilled receivables | 46,175 | 48,820 |
| Less: allowance for doubtful accounts | (339) | (3,463) |
| Net total receivables | <u>\$ 110,282</u> | <u>\$ 113,916</u> |

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

6. RESTRICTED ASSETS

Assets were restricted for the following purposes at year end:

| | | |
|---|-------------------|----------------|
| | 2020 | 2019 |
| Customer deposits | \$ 246,405 | 240,515 |
| Revenue bond current debt service fund account | 60,156 | - |
| Revenue bond future debt service reserve account | 279,372 | 262,409 |
| Revenue bond depreciation and contingency account | <u>279,373</u> | <u>262,409</u> |
| Total | <u>\$ 865,306</u> | <u>765,333</u> |

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

7. CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2020 follows:

| | Balance Beginning | Additions | Completed Construction in Progress | Dispositions /Reclassifica- tions | Balance Ending |
|---|----------------------|-----------|--|---|-------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 37,124 | - | - | - | 37,124 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | 37,124 | - | - | - | 37,124 |
| Capital assets being depreciated: | | | | | |
| Water well | 326,437 | - | - | - | 326,437 |
| Storage and treatment plant | 1,501,015 | - | - | - | 1,501,015 |
| Buildings | 245,840 | - | - | - | 245,840 |
| Improvements | 5,850 | - | - | - | 5,850 |
| Water distribution system | 7,008,093 | - | - | - | 7,008,093 |
| Office equipment | 63,278 | - | - | - | 63,278 |
| Equipment | 121,777 | 43,865 | - | - | 165,642 |
| Vehicles | 91,950 | - | - | - | 91,950 |
| Total capital assets being depreciated | 9,364,240 | 43,863 | - | - | 9,408,103 |
| Less accumulated depreciation for: | | | | | |
| Water well | 180,820 | 10,883 | - | - | 191,703 |
| Storage and treatment plant | 853,074 | 50,033 | - | - | 903,107 |
| Buildings | 93,331 | 6,146 | - | - | 99,477 |
| Improvements | 405 | 390 | - | - | 795 |
| Water distribution system | 2,180,226 | 142,010 | - | - | 2,322,236 |
| Office equipment | 62,218 | 1,060 | - | - | 63,278 |
| Equipment | 104,714 | 6,130 | - | - | 110,844 |
| Vehicles | 60,307 | 12,950 | - | - | 73,257 |
| Total accumulated depreciation | 3,535,095 | 229,602 | - | - | 3,764,697 |
| Total capital assets being depreciated, net | 5,829,145 | (185,737) | - | - | 5,643,408 |
| Capital assets, net | \$ 5,866,269 | (185,737) | - | - | 5,680,532 |

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

A summary of capital assets for the year ended December 31, 2019 follows:

| | Balance Beginning | Additions | Completed Construction in Progress | Dispositions /Reclassifica- tions | Balance Ending |
|---|----------------------|-----------|--|---|-------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 37,124 | - | - | - | 37,124 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | 37,124 | - | - | - | 37,124 |
| Capital assets being depreciated: | | | | | |
| Water well | 326,437 | - | - | - | 326,437 |
| Storage and treatment plant | 1,501,015 | - | - | - | 1,501,015 |
| Buildings | 245,840 | - | - | - | 245,840 |
| Improvements | 5,850 | - | - | - | 5,850 |
| Water distribution system | 6,992,293 | 15,800 | - | - | 7,008,093 |
| Office equipment | 63,278 | - | - | - | 63,278 |
| Equipment | 114,848 | 6,929 | - | - | 121,777 |
| Vehicles | 91,950 | - | - | - | 91,950 |
| Total capital assets being depreciated | 9,341,511 | 22,729 | - | - | 9,364,240 |
| Less accumulated depreciation for: | | | | | |
| Water well | 169,939 | 10,881 | - | - | 180,820 |
| Storage and treatment plant | 803,040 | 50,034 | - | - | 853,074 |
| Buildings | 87,185 | 6,146 | - | - | 93,331 |
| Improvements | 15 | 390 | - | - | 405 |
| Water distribution system | 2,039,043 | 141,183 | - | - | 2,180,226 |
| Office equipment | 60,401 | 1,817 | - | - | 62,218 |
| Equipment | 99,802 | 4,912 | - | - | 104,714 |
| Vehicles | 47,357 | 12,950 | - | - | 60,307 |
| Total accumulated depreciation | 3,306,782 | 228,313 | - | - | 3,535,095 |
| Total capital assets being depreciated, net | 6,034,729 | (205,584) | - | - | 5,829,145 |
| Capital assets, net | \$ 6,071,853 | (205,584) | - | - | 5,866,269 |

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

8. LONG-TERM DEBT

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

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|------------------|
| \$1,765,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$57,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.70, including principal and interest, to August 21, 2041, interest at 3.25%. | \$ - | 1,237,640 |
| \$3,049,000 US Department of Agriculture revenue bond, dated July 21, 2003, one interest only payment of \$133,394 due July 21, 2005, thereafter payable in monthly installments of \$13,598.54, including principal and interest, to July 21, 2043, interest at 4.375%. | - | 2,395,509 |
| \$1,530,000 US Department of Agriculture revenue bond, dated April 17, 2007 one interest only payment of \$58,554.38 due March 21, 2008, thereafter payable in monthly installments of \$6,594.30, including principal and interest, to July 21, 2043, interest at 4.125%. | - | 1,272,155 |
| \$4,585,000 Water Revenue Refunding Bonds Series 2020, dated December 30, 2020 one interest only payment of \$57,694.58 due June 1, 2021, thereafter payable in bi-annual installments, including principal and interest, to December 1, 2043, interest at 3.000%. | 4,585,000 | - |
| Total Long-term Debt | <u>4,585,000</u> | <u>4,905,304</u> |
| Less current portion | <u>(135,000)</u> | <u>(127,165)</u> |
| | <u>\$ 4,450,000</u> | <u>4,778,139</u> |

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

The Commission did not meet the aforementioned 120% bond covenant test during 2020. For 2020 net income fell short by approximately \$47,579. This was due to irregular repair and maintenance expenses. Management believes that this bond covenant violation will be cured in the next year. Pursuant to Article IX of the bond

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

resolution under no circumstances may the principal or interest of any of the bonds be accelerated. As a result, the bonds have been excluded from current obligations.

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

| Year Ending December 31 | Direct Borrowings | | |
|-------------------------|---------------------|------------------|------------------|
| | Principal | Interest | Total |
| 2021 | \$ 135,000 | 126,470 | 261,470 |
| 2022 | 155,000 | 133,500 | 288,500 |
| 2023 | 160,000 | 128,850 | 288,850 |
| 2024 | 165,000 | 124,050 | 289,050 |
| 2025 | 165,000 | 119,100 | 284,100 |
| 2026-2030 | 915,000 | 517,800 | 1,432,800 |
| 2031-2035 | 1,065,000 | 371,550 | 1,436,550 |
| 2036-2040 | 1,225,000 | 202,500 | 1,427,500 |
| 2041-2043 | 600,000 | 33,000 | 633,000 |
| Total | \$ 4,585,000 | 1,756,820 | 6,341,820 |

The following is a summary of long-term liability activity for the year ended December 31, 2020:

| | Balance Beginning | Additions | Reductions | Balance Ending | Due Within One Year |
|----------------------------------|----------------------|------------------|------------------|-------------------|------------------------|
| Direct borrowings: | | | | | |
| Revenue bonds | \$ 4,905,304 | 4,585,000 | 4,905,304 | 4,585,000 | 135,000 |
| Unamortized premiums | - | 388,388 | - | 388,388 | |
| Total long-term liability | \$ 4,905,304 | 4,973,388 | 4,905,304 | 4,973,388 | 135,000 |

The following is a summary of long-term liability activity for the year ended December 31, 2019:

| | Balance Beginning | Additions | Reductions | Balance Ending | Due Within One Year |
|----------------------------------|----------------------|-----------|----------------|-------------------|------------------------|
| Direct borrowings: | | | | | |
| Revenue bonds | \$ 5,027,544 | - | 122,240 | 4,905,304 | 127,165 |
| Total long-term liability | \$ 5,027,544 | - | 122,240 | 4,905,304 | 127,165 |

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

9. COMPENSATED ABSENCES

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

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2020, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk is protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission.

11. INTEREST COST

Interest costs recorded in financial statements consist of the following:

| | 2020 | 2019 |
|---|------------|---------|
| Interest paid | \$ 199,947 | 200,135 |
| Interest accrual change | (5,034) | (133) |
| Total interest recorded | 194,913 | 200,002 |
| Less amount capitalized in construction in progress | - | - |
| Amount charged to expense | \$ 194,913 | 200,002 |

12. LITIGATION AND CLAIMS

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

13. PENSION PLAN

The Commission began a Simple IRA defined contribution plan effective March 1, 2007 pursuant to Internal Revenue Code Section 408(p). Under the plan, each employee receiving at least \$2,000 in compensation, as

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

defined in the plan, during any one prior year and who are reasonably expected to receive at least \$2,000 in compensation during the current year are eligible to participate in the plan. Under terms of the plan, participants are able to reduce their taxable compensation per federally mandated calculations for contributions made to the plan. The Commission provides a non-elective contribution of 2% of eligible compensation for all eligible employees. Benefits vest immediately upon contribution by the Commission. Pension expense for the year ending December 31, 2020 and 2019, was \$4,893 and \$4,822.

14. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through August 31, 2021 the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Commission's ongoing operations; however, the extent and severity of the potential impact is unknown at this time.

15. LEASES

The Commission leases a copier machine under a 5-year noncancelable operating lease requiring minimum annual rentals of \$1,392 beginning March 23, 2017 and ending March 23, 2022. Future minimum rental payments due under this lease is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-----------------|
| 2020 | 1,392 |
| 2021 | 1,392 |
| 2022 | 348 |
| | <u>\$ 3,132</u> |

SUPPLEMENTARY INFORMATION SCHEDULES

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation and Other Expenses Paid to Commissioners
For the Year Ended December 31, 2020

Board Member

| | | |
|------------------|----|---------------|
| Gregory Bordelon | \$ | 1,800 |
| Ric Berken | | 1,800 |
| Don Johnson | | 1,800 |
| Raymond Brown | | 1,650 |
| Chad Woods | | 1,800 |
| George Juneau | | 900 |
| Bill Navarre | | 1,800 |
| Inez Goodly, Jr. | | <u>600</u> |
| | \$ | <u>12,150</u> |

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2020

Agency Head Name: David Trahan, Manager

| | | |
|--------------------------------------|----|---------------|
| Salary | \$ | 52,285 |
| Benefits- insurance | | 14,029 |
| Benefits- retirement | | 1,021 |
| Benefits- Medicare & Social Security | | 2,184 |
| Cell phone | | 956 |
| | \$ | <u>70,475</u> |

OTHER REPORTS

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2020

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2007-1: Lack of segregation of duties

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

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

Item 2016-2 Internal control over payroll

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee's individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

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

Item 2016-3 Overpayment or Underpayment of employee retirement withholdings

Recommendation: Although some progress was made in this area the finding is not considered resolved. Management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. In addition, management should consider either preparing a manual entry at year end to accrue unpaid employer pension match or consider integrating employer match within the computer payroll system. Either way monthly reconciliation of amounts should be implemented.

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2020

Item 2017-2 Mandatory ethics training noncompliance

Recommendation: Management should implement an annual review of all employees to determine if mandatory required ethics education and training has taken place pursuant to L.R.S. 42:1170.

Management Response: Management is in agreement with the finding and will work on corrective measures to comply with L.R.S. 42:1170.

Item 2019-1 Failure to Comply with Payroll Tax Laws and Failure to Reconcile Ending Payroll Tax Liabilities

Recommendation: The ending payroll tax liability should be adjusted at year-end to the estimated balance known to be due (management agreed and this adjustment was made). Management should review and assessed IRS notices and take steps to properly resolve outstanding issues including if necessary, to make payments for any unpaid taxes, interest, and penalties that may be currently due. Given the overall existing issues with payroll faced by the Commission management may want to consider perhaps obtaining professional technical assistance with payroll tax compliance going forward.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement. Management has submitted payments to IRS for unpaid payroll taxes, penalties, and interest.

Item: 2019-2 Lack of Bank Reconciliation Controls and Procedures

Recommendation: The ending bank balance and total revenues should be adjusted at year-end (management agreed and this adjustment was made). Management should obtain outside technical assistance and have these invalid outstanding items corrected on the bank reconciliation module.

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

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III – MANAGEMENT LETTER FINDINGS

No findings reported.

Mike B. Gillespie
Certified Public Accountant
A Professional Accounting Corporation

Mike B. Gillespie, CPA, CGMA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Jefferson Davis Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2007-1, 2016-2, 2019-1, 2020-1, and 2020-2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-1, 2020-1, and 2020-2.

Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, We express no opinion on it.

Purpose of this Report

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

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
August 31, 2021

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

Initial Current Year Findings:

Item: 2020-01 Failure to comply with Louisiana Public Bid Law R.S. 38:2211, et seq.

Criteria/ Specific Requirement: Procedures should be in place to ensure compliance with the Louisiana Public Bid Law (R.S. 38:2211, et seq.).

Condition: Noncompliance with the Louisiana Public Bid Law (R.S. 38:2211, et seq.) regarding advertisement requirements.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2020

Cause: The Commission did not advertise for bids on the purchase of a new excavator that cost \$36,248. R.S. 38:2211 requires that contracts by local political subdivisions and local governmental entities for purchases of materials and supplies with a value of more than \$30,000 must be advertised and let for contract with the lowest responsible bidder. The advertisement for bids shall be published 2 times in a newspaper in the locality. The first publication must appear at least 15 days before the opening of the bids and shall not occur on a Saturday, Sunday, or legal holiday. Plans and specifications shall be available to bidders the day of the first advertisement and until 24 hours before bid opening date. R.S. 38:2214(A), states that the advertisement for bids shall include the time and place that the bids will be received and shall at that time and place publicly open the bids and read them aloud. No public entity shall accept or take any bids including hand-delivered bids on days that are recognized as holidays by the United States Postal Service.

Effect of Condition: Noncompliance with the Louisiana Public Bid Law (R.S. 38:2211, et seq.)

Recommendation: Management should adopt procedures to ensure compliance with the Louisiana Public Bid Law (R.S. 38:2211, et seq.). Contracts for purchases of materials and supplies with a value of more than \$30,000 should be advertised and let for contract with the lowest responsible bidder. The advertisement for bids shall be published 2 times in a newspaper in the locality. The first publication must appear at least 15 days before the opening of the bids and shall not occur on a Saturday, Sunday or legal holiday. Plans and specifications shall be available to bidders the day of the first advertisement and until 24 hours before bid opening date. R.S. 38:2214(A), states that the advertisement for bids shall include the time and place that the bids will be received and shall at that time and place publicly open the bids and read them aloud. No public entity shall accept or take any bids including hand-delivered bids on days that are recognized as holidays by the United States Postal Service. Purchases of \$10,000 or more, but less than \$30,000 dollars, should obtain no fewer than 3 quotes by telephone, facsimile, email, or any other printable electronic form. If telephone quotes are received, a written confirmation of the accepted offers should be obtained and made a part of the purchase file. For purchases less than \$10,000, but greater than \$1,000, prudent practice suggests obtaining at least 3 written quotes, though the law does not so require.

Management Response Management agrees with the finding and will implement recommendations for the complying with Louisiana Public Bid Law (R.S. 38:2211, et seq.).

Item: 2020-02 Failure to comply with bond covenant

Criteria/ Specific Requirement: Procedures should be in place to ensure compliance with all bond covenants.

Condition: Noncompliance with bond covenant which requires the Commission to provide enough operating revenue to cover all operating expenses and, in each year, at least equal to 120% of the largest amount of principal and interest falling due on the Bonds and any Additional Parity Bonds in any future fiscal year.

Cause: Article IV of the Bond Resolution adopted by the Commission board on December 22, 2020 states that “The Issuer, through the Governing Authority, covenants to fix, establish, maintain, levy and collect such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide Operating Revenues in each year sufficient to pay (i) Operating Expenses, (ii) the principal and interest falling due on the Bonds in each year, (iii) all reserves or sinking funds or other payments required for such year by this resolution, and (iv) all other obligations or indebtedness payable out of the Operating Revenues of the System for such year, and which will provide Pledged Revenues in each year at least equal to 120% of the largest amount of principal and interest falling due on the Bonds and any Additional Parity Bonds in any future fiscal year, which rates,

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2020

rents or other charges shall not be reduced so as to be insufficient to provide adequate revenues for the aforesaid purposes.” As of December 31, 2020, the Commission showed a deficiency of (\$45,579) when applying the 120% bond covenant test.

Effect of Condition: Noncompliance with bond covenant which requires the Commission to provide enough operating revenue to cover all operating expenses and, in each year, at least equal to 120% of the largest amount of principal and interest falling due on the Bonds and any Additional Parity Bonds in any future fiscal year.

Recommendation: Management should implement procedures to ensure compliance with all bond covenants issued in the bond resolution adopted on December 22, 2020.

Management Response: Management agrees with the finding and will implement recommendations for the complying with all bond covenants listed in bond resolution adopted on December 22, 2020.

Unresolved Prior Year Findings:

Item: 2007-1 Lack of segregation of duties

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

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

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

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

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

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

Item 2016-2 Internal control over payroll

Criteria/ Specific Requirement: Internal controls should be in place that provide reasonable assurance that wages paid are properly authorized and that employee files contain all required documentation. This condition also existed in the prior year and is being updated for current year findings but is essentially a repeated prior year finding.

Condition: For ten separate employee checks tested noted the following findings:

1. Three employee personnel files lacked signed documentation of authorized current pay rates.
2. One employee’s file lacked an updated signed retirement withholding authorization form for amounts withheld from payroll check.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2020

Cause: There are no procedures either in place or in operation that provide for validation that all necessary documents reside in individual employee files.

Effect of Condition: The lack of documentation is a deficiency in design and/or operation of controls over payroll processing that can lead to errors occurring and not being detected in a timely manner by management.

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee's individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

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

Item: 2019-1 Failure to Comply with Payroll Tax Laws and Failure to Reconcile Ending Payroll Tax Liabilities

Criteria/ Specific Requirement: Procedures should be put into place that provide reasonable assurance that payroll withholdings and associated employer match amounts are paid timely in accordance with Federal payroll tax laws and regulations. Procedures should also ensure that ending payroll tax liabilities are properly reconciled each pay period or on at least a monthly basis.

Condition: During examination of payroll tax liabilities, it was noted that the Federal payroll tax deposits for several prior periods were still not made by the payroll clerk. More concerning is the fact that this error was discovered in the prior year audit and has still not been settled with the IRS by the payroll clerk. This has also resulted in penalties and interest to be assessed by the IRS against the Commission.

Cause: Although the Commission has made progress in clearing up this prior period audit finding, audit procedures in this area uncovered unpaid payroll taxes dating back to 2018 totaling \$6,141.23 which were identified the Commission in last year audit.

Effect of Condition: Failure to properly resolve the issue of making timely payroll deposits will result in the penalties and interest by the IRS against the Commission.

Recommendation: Management should contact the IRS immediately and take steps to properly resolve outstanding issues including if necessary, to make payments for any unpaid taxes, interest, and penalties that may be currently due.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2020

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement. Management has submitted payments to IRS for unpaid payroll taxes, penalties, and interest.

SECTION III –FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION IV – MANAGEMENT LETTER

No current year findings reported.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT’S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2020**

SECTION I – FINANACIAL STATEMENT FINDINGS

Item: 2020-01 Failure to comply with Louisiana Public Bid Law R.S. 38:2211, et seq.

Recommendation: : Management should adopt procedures to ensure compliance with the Louisiana Public Bid Law (R.S. 38:2211, et seq.). Contracts for purchases of materials and supplies with a value of more than \$30,000 should be advertised and let for contract with the lowest responsible bidder. The advertisement for bids shall be published 2 times in a newspaper in the locality. The first publication must appear at least 15 days before the opening of the bids and shall not occur on a Saturday, Sunday or legal holiday. Plans and specifications shall be available to bidders the day of the first advertisement and until 24 hours before bid opening date. R.S. 38:2214(A), states that the advertisement for bids shall include the time and place that the bids will be received and shall at that time and place publicly open the bids and read them aloud. No public entity shall accept or take any bids including hand-delivered bids on days that are recognized as holidays by the United States Postal Service. Purchases of \$10,000 or more, but less than \$30,000 dollars, should obtain no fewer than 3 quotes by telephone, facsimile, email, or any other printable electronic form. If telephone quotes are received, a written confirmation of the accepted offers should be obtained and made a part of the purchase file. For purchases less than \$10,000, but greater than \$1,000, prudent practice suggests obtaining at least 3 written quotes, though the law does not so require.

Management Response: Management agrees with the finding and will implement recommendations for complying with Louisiana Public Bid Law (R.S. 38:2211, et seq.).

Item: 2020-02 Failure to comply with bond covenant

Recommendation: Management should implement procedures to ensure compliance with all bond covenants issued in the bond resolution adopted on December 22, 2020.

Management Response: Management agrees with the finding and will implement recommendations for the complying with all bond covenants listed in bond resolution adopted on December 22, 2020.

Item: 2019-1 Failure to Comply with Payroll Tax Laws and Failure to Reconcile Ending Payroll Tax Liabilities

Recommendation: Although the ending payroll tax liability is correct at year-end to the estimated balance known to be due, the Commission has still not settled all amounts owed to the IRS at year end. Management should review and assess IRS notices and take steps to properly resolve outstanding issues including, if necessary, to make payments for any unpaid taxes, interest, and penalties that may be currently due. Given the overall existing issues with payroll faced by the Commission management may want to consider perhaps obtaining professional technical assistance with payroll tax compliance going forward.

Management Response: Management agrees with the findings and will take auditor’s recommendation under advisement. The Commission has obtained professional technical assistance with payroll tax compliance going forward. Management has requested a balanced owed to the IRS and will make payment as soon as possible to settle amount owed.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT’S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2020**

Finding 2007-1: Lack of segregation of duties

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

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

Item 2016-2 Internal control over payroll

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee’s individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

Management Response: Management agrees with the finding and will take auditor’s recommendation under advisement.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings reported.

SECTION III – MANAGEMENT LETTER

No current year findings reported.

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THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT