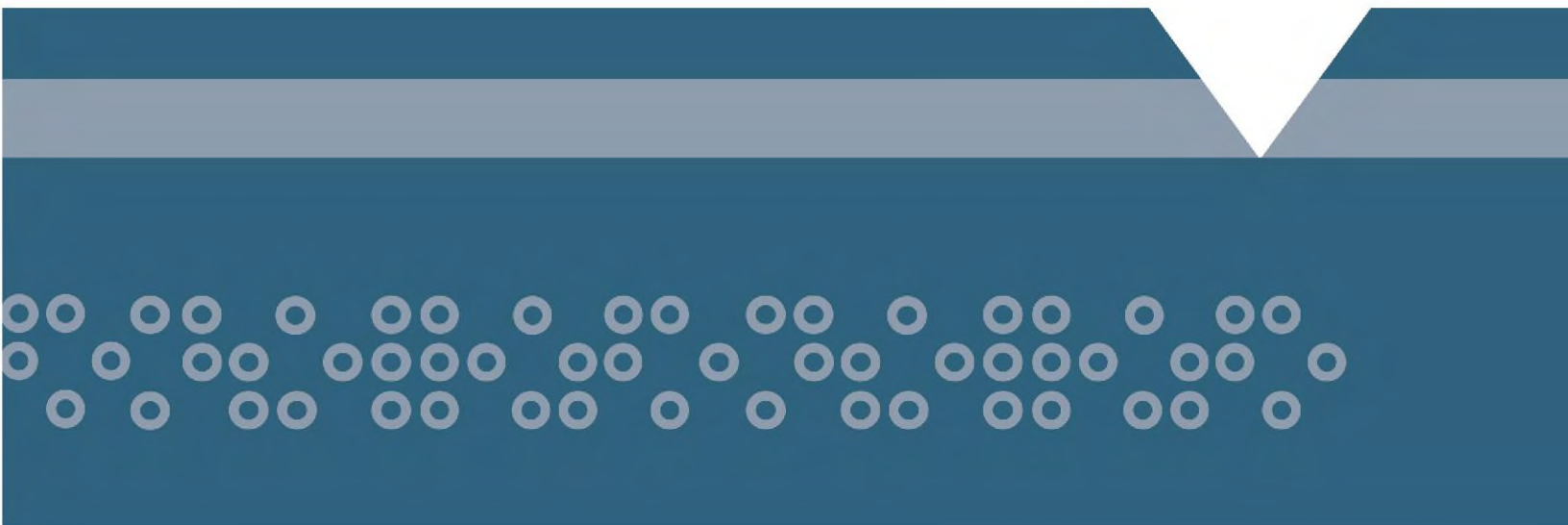


Bastrop Area Fire Protection District Number Two
Bastrop, Louisiana

Financial Statements For the Year Ended December 31, 2025



BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

BASTROP, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
REQUIRED SUPPLEMENTARY INFORMATION (PART I)	
Management's Discussion and Analysis	4-7
BASIC FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements</u>	
Statement of Net Position	8
Statement of Activities	9
<u>Fund Financial Statements</u>	
Balance Sheet — Governmental Funds	10
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance — Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	13
Notes to the Financial Statements	14-19
REQUIRED SUPPLEMENTARY INFORMATION (PART II)	
Budgetary Comparison Schedule - General Fund	20
Notes to the Budgetary Comparison Schedule	21
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Compensation Paid to Commissioners	22
Schedule of Compensation, Benefits and Other Payments to Agency Head	23
OTHER REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Responses	26
Schedule of Prior Year Findings and Responses	27



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The Board of Commissioners
Bastrop Area Fire Protection District Number Two
Bastrop, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities of the Bastrop Area Fire Protection District Number Two (which is the "District" as well as "the primary government") as of and for the year ended December 31, 2025, 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 governmental activities of the Bastrop Area Fire District Number Two as of December 31, 2025, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bastrop Area Fire District Number Two and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bastrop Area Fire District Number Two's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bastrop Area Fire District Number Two's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bastrop Area Fire District Number Two's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of compensation paid to commissioners and schedule of compensation, benefits and other payments to agency head, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 30, 2026, on our consideration of the Bastrop Area Fire District Number Two's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bastrop Area Fire District Number Two's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bastrop Area Fire District Number Two's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 30, 2026

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

As management of Bastrop Area Fire Protection District Number Two (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the District's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the District's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the District based on information presented in the financial report and fiscal policies that have been adopted by the District. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information ("RSI") that is provided in addition to this Management Discussion and Analysis.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,792,518 (net position). Of this amount, \$3,356,607 (unrestricted net position) represents the portion of net position that is not invested in capital assets or otherwise restricted.
- The government's total net position increased by \$22,232.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

The government-wide financial statements report governmental activities of the District that are principally supported by tax revenues and structure assessment fees. Governmental activities include only public safety (fire).

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bastrop Area Fire Protection District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's financial transactions are accounted for in one governmental fund, the General Fund, which serves as the primary operating fund of the District.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Bastrop Area Fire Protection District Number Two maintains one governmental fund, which is the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. The General Fund is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's compliance with budgets for its major fund.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO**MANAGEMENT'S DISCUSSION AND ANALYSIS****DECEMBER 31, 2025****Government-Wide Financial Analysis**

	Governmental Activities	
	12/31/2025	12/31/2024
Current and other assets	\$ 3,881,791	\$ 3,658,637
Capital assets	435,911	534,255
Total assets	<u>\$ 4,317,702</u>	<u>\$ 4,192,892</u>
Current and other liabilities	<u>\$ 230,727</u>	<u>\$ 301,899</u>
Deferred inflows of resources	<u>\$ 294,457</u>	<u>\$ 120,707</u>
Net position:		
Invested in capital assets	\$ 435,911	\$ 534,255
Unrestricted	3,356,607	3,236,031
Total net position	<u>\$ 3,792,518</u>	<u>\$ 3,770,286</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District will use the unrestricted net position, which is \$3,356,607, to meet the ongoing obligations to users of its services and creditors.

Governmental Activities

	2025	2024
General revenues	\$ 1,342,725	\$ 1,259,587
Public safety expenses	1,320,493	1,389,386
Increase (decrease) in net position	<u>\$ 22,232</u>	<u>\$ (129,799)</u>

The District's expenses cover a range of services, with approximately 80% related to the payments made to the City of Bastrop, Morehouse Parish Sheriff's Office, and Morehouse Tax Assessor for outside services.

General revenues are those available for the District to pay for the governmental activities. For the year ended December 31, 2025, taxes and structure assessment fees were by far the largest general revenue sources for the District.

Financial Analysis of Governmental Funds

As of December 31, 2025 the District's governmental fund reported an ending unassigned fund balance of \$3,335,912 compared to \$3,216,290 as of December 31, 2024.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Budgetary Highlights

The District adopted a budget for the General Fund for the year ended December 31, 2025 on December 19, 2024. The budget was prepared on a non-GAAP budgetary basis of accounting and was amended on December 18, 2025. Actual non-GAAP revenues of the General Fund of \$1,342,725 were more than the appropriated revenues of \$1,227,780 by \$114,945. Actual non-GAAP expenditures of \$1,222,149 were less than the appropriated expenditures of \$1,325,400 by \$103,251.

Capital Assets

As of December 31, 2025, the District had invested \$435,911 in a broad range of capital assets including land, buildings, vehicles, and equipment.

Economic Factors and Next Year's Budget

While the District anticipates some changes in its financial activity for the upcoming year, no significant shifts in operations are expected. The budget adopted for the year ending December 31, 2026, projects total revenues to decrease by \$60,872, while expenditures are budgeted to rise by only \$52,881. This modest growth in expenditures relative to revenues is expected to support continued stability in the District's financial position.

Requests for Information

This financial report is designed to provide a general overview of the District's financial picture for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to the Chairman, P.O. Box 1236, Bastrop, Louisiana 71220.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash	\$ 866,295
Certificates of deposit	1,659,649
Receivables	1,335,152
Prepaid expenses	20,695
Capital assets:	
Land	45,000
Other capital assets, net of depreciation	390,911
TOTAL ASSETS	4,317,702
LIABILITIES	
Accounts payable	230,727
TOTAL LIABILITIES	230,727
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to property taxes and fees	294,457
NET POSITION	
Net investment in capital assets	435,911
Unrestricted	3,356,607
TOTAL NET POSITION	\$ 3,792,518

The accompanying notes are an integral part of these financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense)
					Revenue and
					Changes in
					Net Position
	Expenses	Charges for	Operating	Capital	
		Services	Grants and	Grants and	Governmental
			Contributions	Contributions	Activities
Function/Program Activities					
Government Activities:					
Public Safety	\$ 1,320,493	\$ -	\$ -	\$ -	\$ (1,320,493)

General Revenues:

Property Tax	322,897
Structure Assessment Fee	912,629
State and Refuge Revenue Sharing	20,085
Interest Earned	87,114
Total General Revenue	<u>1,342,725</u>
Change in net position	22,232
Net position - Beginning	<u>3,770,286</u>
Net position - Ending	<u><u>\$ 3,792,518</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	General Fund
	<u> </u>
ASSETS	
Cash	\$ 866,295
Certificates of Deposit	1,659,649
Accounts receivable	1,335,152
Prepaid expenses	<u>20,695</u>
TOTAL ASSETS	<u>3,881,791</u>
LIABILITIES	
Accounts payable	<u>230,727</u>
TOTAL LIABILITIES	<u>230,727</u>
Deferred inflows related to property taxes and fees	<u>294,457</u>
FUND BALANCES	
Nonspendable	20,695
Unassigned	<u>3,335,912</u>
TOTAL FUND BALANCES	<u>3,356,607</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,881,791</u>

The accompanying notes are an integral part of these financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Governmental Fund Balances	\$ 3,356,607
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*Amounts reported for governmental activities
in the statement of net position are different
because:*

Capital assets used in governmental activities
are not financial resources and therefore
are not reported in the funds.

<u>435,911</u>

Net Position of Governmental Activities

<u><u>\$ 3,792,518</u></u>

The accompanying notes are an integral part of these financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund
Revenues:	
Property tax	\$ 322,897
Structure assessment fees	912,629
State and refuge revenue sharing	20,085
Interest	87,114
Total revenues	<u>1,342,725</u>
Expenditures:	
Public safety	
Compensation	18,800
Insurance	35,974
Legal and accounting	28,965
Outside services	1,086,261
Repairs and maintenance	3,762
Utilities	17,854
Fuel and Supplies	30,533
Total expenditures	<u>1,222,149</u>
Excess (Deficiency) of revenues over expenditures	120,576
Fund balance - Beginning	<u>3,236,031</u>
Fund balance - Ending	<u><u>\$ 3,356,607</u></u>

The accompanying notes are an integral part of these financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balance - Total Governmental Funds	\$ 120,576
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation expense	(98,344)
	<u>(98,344)</u>

Change in Net Position in Governmental Activities	<u><u>\$ 22,232</u></u>
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The accompanying notes are an integral part of these financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Bastrop Area Fire Protection District Number Two (the "District") is a component unit of Morehouse Parish. It was created by the Police Jury of Morehouse Parish on May 5, 1964, in accordance with Louisiana Revised Statute 40:1491. The District is governed by a board of five commissioners who are qualified voters, residents of the District, appointed by Morehouse Parish Police Jury, and serve five-year terms. The chairman of the commissioners is compensated \$700 for each meeting attended while the other commissioners are compensated \$200.

The District was created for the purpose of maintaining and operating fire stations and equipment to provide fire protection within the boundaries of the District.

The District has no employees.

The District is considered a component unit of Morehouse Parish Police Jury, the financial reporting entity, as the District provides fire protection service to residents within Morehouse Parish.

Basis of Accounting and Presentation

The accompanying financial statements present information only on the funds maintained by the District and do not present information on Morehouse Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

The District's significant accounting policies are described below:

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole as governmental activities that are supported by general revenues.

The statement of activities reports the expenses of a given function offset by program revenues, if any, directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Other revenue sources not properly included with the program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental fund.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt which are recognized as expenditures in the year paid.

Major revenue sources susceptible to accrual are property taxes and structure assessment fees. Property taxes are recognized as revenues in the year for which they are levied while structure assessment fees are recognized in the period collected. In general, all other revenues are recognized when cash is received.

Fund Type and Major Fund

The District reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the District and accounts for all financial resources.

Budgets and Budgetary Accounting

The Board of Commissioners adopted the annual budget for the General Fund on December 19, 2024. The annual budget was prepared on a non-GAAP budgetary basis of accounting and was amended on December 18, 2025. The budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Certificates of Deposit

Cash includes amounts on demand and time deposits. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law allows 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.

Receivables

Significant receivables include property taxes and structure assessment fees.

Uncollectible Allowance

The statements contain no provision for uncollectible accounts. The District's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Prepaid Expense

A prepaid expense is recorded in both the government-wide and fund financial statements for a cost paid in the year ended December 31, 2025, related to expenses that will be recorded and recognized in a subsequent period.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, with useful lives of more than one year are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. The District maintains a threshold level of \$5,000 or more for capitalizing assets.

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

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles and equipment	7-10 years

Deferred Inflows of Resources

In addition to liabilities, the District's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Property taxes and structure assessment fees receivable recorded before the period for which the taxes are actually levied and not collected within 60 days of period end are reported as deferred inflows of resources.

Equity Classifications

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

Invested in capital assets - consists of capital assets net of accumulated depreciation and net of any related debt.

Restricted - consists of net position with constraints placed on their use either by (1) external groups such as creditors grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Unrestricted - all other assets that do not meet the definition of "restricted" or "invested in capital assets".

In the fund financial statements, governmental fund equity is classified as nonspendable and unassigned fund balance. These statements provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable - amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

Committed - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned - amounts that the District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Revenue Recognition - Property Taxes and Structure Assessment Fees

Property taxes and structure assessment fees attach as an enforceable lien on property as of the date the tax rolls are filed with the recorder of mortgages which, by law, must be on or before November 15 of each year. Billed taxes and fees become delinquent on January 1 of the following year. Morehouse Parish Sheriff bills and collects the District's property taxes and structure assessment fees using the assessed values determined by Morehouse Parish Tax Assessor and the assessment fees approved by the voters of the District.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

As of December 31, 2025 the District has cash and cash equivalents (book balances) totaling \$2,404,645 as follows:

Non-interest bearing demand deposit	\$ 261,244
Interest bearing deposit	<u>2,264,700</u>
	<u>\$ 2,525,944</u>

These deposits are reported at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. GASB Cod. Sec. C20.107 requires disclosure of deposit custodial credit risk only for year-end bank balances that are not covered by depository insurance and that are (a) uninsured and uncollateralized, (b) uninsured and collateralized with securities held by the pledging financial institution, or (c) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Under Louisiana law applicable to local public deposits, La. R.S. 39:1218 requires fiscal agent banks and private contract banks to give security for the safekeeping and payment of deposits; La. R.S. 39:1225 requires such security to equal 100% of collected funds on deposit, except for the portion of deposits insured by a United States governmental bank-deposit insurer; and La. R.S. 39:1224 permits pledged securities to be held by the depositing authority or by an unaffiliated bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank, and deems such pledged securities to be under the control and possession of the depositing authority and held in its name when held in accordance with the statute.

As of December 31, 2025, the District had \$2,526,544 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$2,276,544 of pledged securities held by the Federal Reserve Bank.

There were no repurchase or reverse repurchase agreements as of December 31, 2025.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2025****NOTE 3 – RECEIVABLES**

As of December 31, 2025, receivables of the District consisted of \$376,175 of property taxes, \$952,471 of structure assessment fees, and \$6,506 in state revenue sharing.

NOTE 4 – TAXES AND FEES

The District is authorized to levy a maximum tax of 6.7 mills on property within the boundaries of the District for maintenance and operation beginning with the year 2019 and ending with the year 2028. The District levied 6.31 mills for the year ended December 31, 2025. Total property taxes levied were \$327,660.

The following were the principal property taxpayers for Morehouse Parish as a whole:

Taxpayer	Total Assessed Valuation
Morehouse Bioenergy LLC	\$ 21,258,823
Morehouse Bioenergy LLC (DRAX)	8,730,409
Entergy	7,875,770

For the year ended December 31, 2025, in accordance with the provisions of Louisiana Revised Statute 40:1502.13, as amended, the District levied a structure assessment fee of \$175 on persons owning residential or commercial structures and on persons owning mobile homes, whether occupied or not, located wholly or partly within the boundaries of the District. This tax was levied on each structure for the purpose of providing fire protection and is set to expire in December 2034.

NOTE 5 – CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2025 for the governmental activities of the District are as follows:

	December 31, 2024 Balance	Additions	Disposals	December 31, 2025 Balance
Non-Depreciable Assets:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Depreciable Assets:				
Building	156,889	-	-	156,889
Vehicles & Equipment	1,558,317	-	-	1,558,317
Totals at Historical Cost	1,715,206	-	-	1,715,206
Less Accumulated Depreciation for:				
Building	(129,679)	(4,136)	-	(133,815)
Vehicles & Equipment	(1,096,272)	(94,208)	-	(1,190,480)
Total Accumulated Depreciation	(1,225,951)	(98,344)	-	(1,324,295)
Total Depreciable Assets, net	489,255	(98,344)	-	390,911
Capital Assets, net	\$ 534,255	\$ (98,344)	\$ -	\$ 435,911

Depreciation expense of \$98,344 was charged to the public safety governmental function in the government-wide statement of activities.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 6 – COOPERATIVE ENDEAVOR AGREEMENT

The District has entered into a cooperative endeavor agreement with the City of Bastrop, Louisiana (the City), under which the City provides fire protection services to residents of the District. The original agreement was executed on September 11, 2013, and was effective for a two-year term beginning July 1, 2013. The agreement has been renewed for successive two-year terms since inception. The most recent renewal extends the agreement through midnight on June 30, 2027.

Under the renewed agreement, the District is required to pay the City \$900,000 annually for fire protection services. The annual payment is subject to adjustment, as necessary, to reimburse the City for actual costs incurred in providing services under the agreement, with such amounts negotiated at least annually on or before the first Wednesday in June and more frequently if required.

The City is required to provide fire protection services to District residents in the same manner as such services are provided to residents of the City, subject to the availability of personnel, equipment, and water supply. During the term of the agreement, the District is required to maintain ownership of, or continue to lease as lessee, three fire trucks. The District is also responsible for maintaining and keeping in good repair the fire stations constructed or contracted by the District and for paying related utility costs. The City is required to maintain statutory workers' compensation insurance for its employees and to maintain general liability insurance naming the District as an additional insured.

As of June 30, 2025, future minimum payments required under the renewed agreement are as follows:

2026	\$ 900,000
2027	900,000
Total future minimum payments	<u>\$ 1,800,000</u>

For services provided under the agreement during the year ended December 31, 2025, the District paid the City \$1,086,261.

NOTE 7 – RISK MANAGEMENT AND CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance to reduce the risk of loss resulting from property damage or liability claims on the fire station buildings and fire trucks. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

As of December 31, 2025, the District was not involved in any litigation nor aware of any unasserted claims.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2026, which is the date the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues (Inflows):				
Property tax	\$ 345,000	\$ 260,000	\$ 322,897	\$ 62,897
Structure assessment fees	960,000	860,000	912,629	52,629
Fire insurance rebate	51,000	500	-	(500)
State and refuge revenue sharing	27,520	20,160	20,085	(75)
Interest	65,400	87,120	87,114	(6)
Total revenues	1,448,920	1,227,780	1,342,725	114,945
Expenditures (Outflows):				
Public safety				
Commissioners' and secretary's compensation	19,200	19,200	18,800	400
Insurance	32,200	68,000	35,974	32,026
Legal and accounting	14,000	31,000	28,965	2,035
Fuel and Supplies	42,000	22,150	30,533	(8,383)
Outside service	1,050,000	1,150,000	1,086,261	63,739
Publishing	350	300	-	300
Pension cost	10,000	10,000	-	10,000
Repairs and maintenance	20,000	6,000	3,762	2,238
Utilities	17,800	18,750	17,854	896
Total expenditures	1,205,550	1,325,400	1,222,149	103,251
Excess (deficiency) of revenues over expenditures	243,370	(97,620)	120,576	218,196
Fund balance - beginning	2,404,645	2,404,645	3,236,031	831,386
FUND BALANCE - ENDING	<u>\$ 2,648,015</u>	<u>\$ 2,307,025</u>	<u>\$ 3,356,607</u>	<u>\$ 1,049,582</u>

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

NOTES TO THE BUDGETARY SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2025

The budgets for the funds are proposed by the Commissioner and formally adopted by the Commissioners. The budgets are prepared on a Non-GAAP basis. Budgetary amendments involving the transfer of funds from one function to another or involving increases in expenditures resulting from revenues exceeding the amounts estimated require approval of the Commissioners. At year end, all appropriations lapse.

In accordance with state law, the District is required to amend its budgets when actual and projected revenues within a fund are expected to fall short of budgeted revenues by five percent or more, or when expenditures and other uses of a fund are expected to exceed budgeted amounts by five percent or more. For the year ended December 31, 2025, the District was in compliance with these budgetary requirements.

OTHER SUPPLEMENTARY INFORMATION

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Compensation</u>
James Boyd, Chairman	\$ 9,600
Steve Mitcham	2,400
Jessie Griggs	2,400
Curtis Payton	2,000
Anthony Griffith	2,400
Total	<u>\$ 18,800</u>

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2025

	James Boyd Chairman
Compensation	\$ 9,600

OTHER REPORTS



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The Board of Commissioners
Bastrop Area Fire District Number Two
Bastrop, Louisiana

**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**

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 Bastrop Area Fire Protection District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 29, 2026.

Internal Control over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-01 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. We have found no instances of non compliance.

The District's Response to Findings

The District's response to the findings identified in our audit is described in Management's Corrective Action Plan for Current Year Findings. The District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. In accordance with Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 30, 2026

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2025

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Bastrop Area Fire District Number Two.
2. One significant deficiency relating to the audit of the basic financial statements is reported and is considered to be a material weakness.
3. There were no findings of noncompliance relating to the basic financial statements of the Bastrop Area Fire District Number Two disclosed during the audit.
4. No federal single audit was required under the Uniform Guidance relating to the financial statements of the Bastrop Area Fire District Number Two.

B. Findings — Financial Statement Audit

2025-01: Inadequate Segregation of Duties

Condition: We noted that key financial processes lack adequate segregation of duties. Specifically, the same individual is responsible for initiating, approving, and recording journal entries in the general ledger. Additionally, this individual has access to both cash receipts and bank reconciliation functions.

Criteria: Internal control standards require segregation of duties to reduce the risk of errors or fraud. Duties should be divided among different individuals to ensure that no one person has control over all aspects of a financial transaction.

Cause: The entity has limited staffing and has not implemented sufficient compensating controls to mitigate the risk associated with incompatible duties.

Effect: The lack of segregation of duties increases the risk that errors or irregularities may occur and go undetected. This lack of segregation undermines the effectiveness of internal controls and may expose the organization to financial misstatements or fraud.

Recommendation: We recommend that management implement proper segregation of duties across key financial functions. Where staffing limitations make full segregation impractical, management should implement and document compensating controls. These may include independent review and approval of journal entries, bank reconciliations, and cash handling activities by a member of management or the governing board not involved in day-to-day processing.

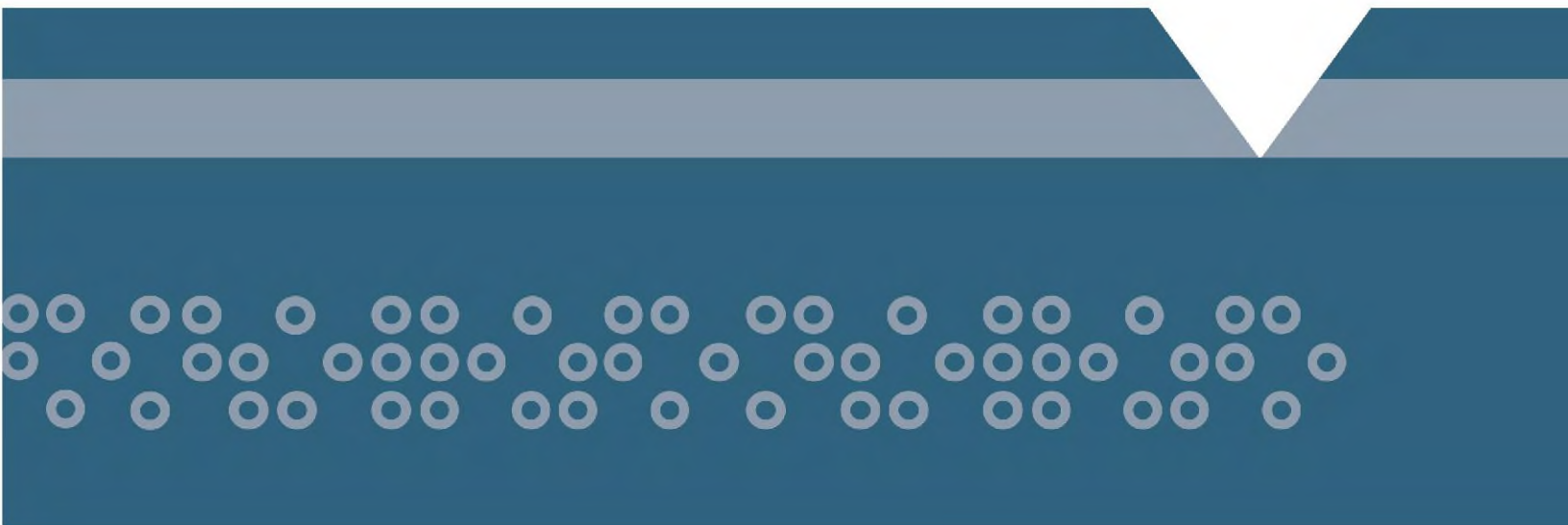
Management's Response: Management acknowledges the risk and notes that due to the small size of the organization and limited personnel, complete segregation of duties is not feasible. However, all accounting activities, including journal entries and reconciliations, are subject to regular review and oversight by the board to provide compensating control. Management will continue to assess and enhance oversight procedures where possible.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

- 2024-1:** Inadequate Segregation of Duties
Condition: The segregation of duties is inadequate to provide effective internal control.
Status: Unresolved, 2025-1
- 2024-2:** Late Filing of Audit Report
Condition: The audit report was submitted after the statutory due date.
Status: Resolved

Bastrop Area Fire Protection District Number Two
Bastrop, Louisiana

Agreed-Upon Procedures Report
For the Year Ended December 31, 2025





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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Board of Commissioners
For the Bastrop Area Fire District Number Two
Bastrop, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

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, 2025, through December 31, 2025. Bastrop Area Fire District Number Two's ("The Entity") management is responsible for those C/C areas identified in the SAUPs.

The Entity 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, 2025, through December 31, 2025. 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 that 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.

Findings: *Thirty-nine exceptions for the Entity not having any policies and procedures.*

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 that 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.
 - 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.

- d) Observe whether the board or finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Findings: *One exceptions noted for minutes not including the progress of resolving audit findings.*

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 within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: *Four exceptions for bank reconciliations not being reviewed by management/board member who does not handle cash.*

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 that are 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 that 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).
 - 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 that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: *No exceptions noted.*

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.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
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 that the disbursement matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3 above, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g. sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

Findings: *No exceptions noted.*

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

12. 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.
13. 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, obtain supporting documentation, and:
- a) Observe that 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) was 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.
14. 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 that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
15. Using the list of terminated employees obtained in the Payroll and Personnel procedures, identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Findings: *No exceptions noted.*

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

16. 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 that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - c) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: No exceptions noted.

Contracts

17. 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 that 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 that 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 that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).
 - 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 that the invoice and related payment agreed to the terms and conditions of the contract.

Findings: No exceptions noted.

Payroll and Personnel

18. 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.

19. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that 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 that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
20. 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 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.
21. 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.

Findings: *No exceptions noted.*

Ethics

22. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period as required by R.S. 42:1170.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official was notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Findings: *Two exceptions noted for two employees not completing ethics training during the fiscal period.*

Debt Service

24. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

25. 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).

Findings: *No exceptions noted.*

Fraud Notice

26. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
27. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: *No exceptions noted.*

Information Technology Disaster Recovery/Business Continuity

28. 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - 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.
29. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure 19. Observe evidence that the selected terminated employees have been removed or disabled from the network.
30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows: a) Hired before June 9, 2020 - completed the training; and b) Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Findings: *We performed the procedure and discussed the results with management.*

Prevention of Sexual Harassment

31. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year, as required by R.S. 42:343.
32. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
33. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
 1. Number and percentage of public servants in the agency who have completed the training requirements;
 2. Number of sexual harassment complaints received by the agency;
 3. Number of complaints which resulted in a finding that sexual harassment occurred;
 4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 5. Amount of time it took to resolve each complaint.

Findings: Five exceptions noted for posting of sexual harassment policy on premises, three employees not having required training, and Entity did not have an annual sexual harassment report for the fiscal period.

Management's Response

We agree with the results of the procedures and will address the identified exceptions.

We were engaged by the Entity to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Entity 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.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 30, 2026