

**WATERWORKS DISTRICT 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana**

**Financial Statements
April 30, 2023 and 2022**

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STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the year ended April 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana as of April 30, 2023 and 2022, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the accounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, 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 my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana

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 assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2023 on our consideration of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 14, 2023

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2023**

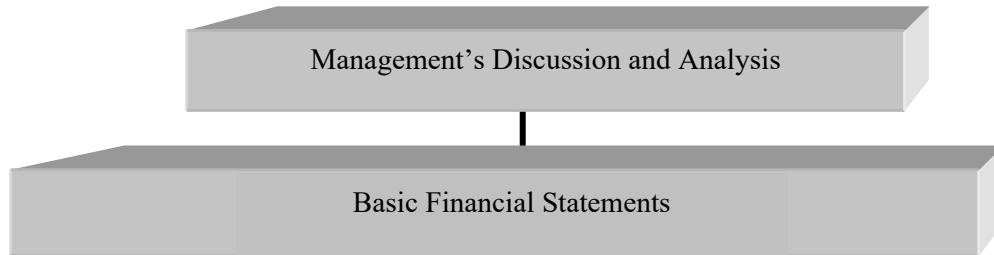
The Management’s Discussion and Analysis of the Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended April 30, 2023. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2023 by \$1,885,707 which represents an increase from last fiscal year. Of this amount, \$349,306 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue increased \$103,762 (or 13.3%) and the net results from operations increased by \$30,748.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2023**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 7 - 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is fund net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in fund net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2023	2022	2021
Current and other assets	\$ 717,421	\$ 700,995	\$ 874,746
Capital assets	2,576,620	2,671,175	2,714,307
Total assets	3,294,041	3,372,170	3,589,053
Other liabilities	168,264	151,968	189,563
Long-term debt outstanding	1,240,000	1,335,000	1,425,000
Total liabilities	1,408,264	1,486,968	1,614,563
Net position:			
Net investment in capital assets	1,336,620	1,336,175	1,289,307
Amounts restricted for debt service	199,851	194,583	186,273
Unrestricted amounts	349,306	354,444	498,910
Total net position	\$1,885,777	\$1,885,202	\$1,974,490

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which they may be used.

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2023**

The net position of the District increased by \$575, from April 30, 2022 to April 30, 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$881,252	\$777,490	\$756,690
Operating expenses	<u>(970,331)</u>	<u>(834,317)</u>	<u>(923,152)</u>
Operating income (loss)	<u>(26,079)</u>	<u>(56,827)</u>	<u>(166,462)</u>
Non-operating revenues (expenses)	<u>26,654</u>	<u>(32,461)</u>	<u>182,006</u>
Net increase (decrease) in net position	<u>\$ 575</u>	<u>\$(89,288)</u>	<u>\$15,544</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of April 30, 2023, the District had \$2,576,620, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$94,555, from last year.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land and Right of Ways	\$ 26,857	\$ 26,857	\$ 26,857
Plant and Distribution System	4,833,362	4,808,581	4,724,250
Furniture, Fixtures, and Equipment	337,439	327,868	321,346
Less Accumulated Depreciation	<u>(2,621,038)</u>	<u>(2,492,091)</u>	<u>(2,358,146)</u>
Totals	<u>\$2,576,620</u>	<u>\$2,671,175</u>	<u>\$2,714,307</u>

This year’s major capital addition included above was:

- Meter installations \$ 24,820
- Equipment trailer \$ 9,571

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2023**

Debt

The District issued \$2,000,000 of Water Revenue Bonds, Series 2012, during the fiscal year ending April 30, 2013. The bonds were dated August 1, 2012. These bonds were issued for the purpose of funding the plant expansion project. The outstanding balance on these bonds is \$1,240,000, \$1,335,000 and \$1,425,000 at April 30, 2023, 2022 and 2021, respectively.

The District's Series 2012 Water Revenue Bonds are un-rated.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Crystal Broussard, Office Manager, Waterworks District No. 4 of Ward 4 of Calcasieu Parish.

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Net Position
As of April 30,

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 176,483	\$ 165,403
Restricted assets:		
Cash restricted for debt service	308,354	298,738
Cash restricted for meter deposits	109,805	107,525
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2023 & 2022	122,779	129,329
Total Current Assets	717,421	700,995
Property, Plant and Equipment		
Furniture, fixtures, and equipment	266,683	257,112
Parking lot	20,500	20,500
Trucks	50,256	50,256
Water wells	673,355	673,355
Water tank	959,103	959,103
Distribution system	2,745,788	2,720,967
Fluoridation system	24,214	24,214
Plant and buildings	430,902	430,902
	5,170,801	5,136,409
Accumulated depreciation	(2,621,038)	(2,492,091)
	2,549,763	2,644,318
Construction in progress	-	-
Land	26,857	26,857
Net Property, Plant, and Equipment	2,576,620	2,671,175
TOTAL ASSETS	\$ 3,294,041	\$ 3,372,170

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Net Position (Continued)
As of April 30,

LIABILITIES AND NET POSITION	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 22,929	\$ 21,913
Payroll taxes payable	8,526	169
Accrued compensation	18,501	13,206
Accrued interest - payable from restricted assets	8,503	9,155
Meter deposits - payable from restricted assets	109,805	107,525
Due within one year - revenue bonds (Note 8)	<u>100,000</u>	<u>95,000</u>
Total Current Liabilities	<u>268,264</u>	<u>246,968</u>
Long-Term Debt		
Due in more than one year - revenue bonds (Note 8)	<u>1,140,000</u>	<u>1,240,000</u>
Total Long-Term Debt	<u>1,140,000</u>	<u>1,240,000</u>
Total Liabilities	<u>1,408,264</u>	<u>1,486,968</u>
Net Position		
Net investment in capital assets	1,336,620	1,336,175
Amounts restricted for debt service	199,851	194,583
Unrestricted amounts	<u>349,306</u>	<u>354,444</u>
Total Net Position	<u>1,885,777</u>	<u>1,885,202</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,294,041</u></u>	<u><u>\$ 3,372,170</u></u>

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended April 30,

	<u>2023</u>	<u>Percent</u>	<u>2022</u>	<u>Percent</u>
OPERATING REVENUES				
Water sales	\$ 797,892	90.5%	\$ 723,029	93.0%
Meter tap revenue	40,921	4.6%	13,000	1.7%
Service charges	10,580	1.2%	9,785	1.3%
Late charges/delinquent fees	31,859	3.6%	31,676	4.1%
Total Operating Revenues	<u>881,252</u>	<u>100.0%</u>	<u>777,490</u>	<u>100.0%</u>
OPERATING EXPENSES				
Salary - superintendent	87,375	9.9%	75,939	9.8%
Salary - office	74,381	8.4%	69,503	8.9%
Transmission labor	45,599	5.2%	39,546	5.1%
Contract labor	10,625	1.2%	7,685	1.0%
Insurance	142,526	16.2%	114,260	14.7%
Payroll taxes	15,458	1.8%	14,143	1.8%
Retirement benefit	6,885	0.8%	7,478	1.0%
Office supplies and postage	11,097	1.3%	11,670	1.5%
Meeting expense	6,000	0.7%	5,400	0.7%
Telephone and tower communications	13,198	1.5%	15,780	2.0%
Utilities	48,398	5.5%	28,651	3.7%
Billing and meter reading	25,884	2.9%	30,974	4.0%
Truck expense	11,064	1.3%	7,971	1.0%
Maintenance and repairs	228,267	25.9%	230,563	29.7%
Chemicals and supplies	26,484	3.0%	17,636	2.3%
Depreciation	128,947	14.6%	133,944	17.2%
Legal and professional	18,500	2.1%	13,500	1.7%
Equipment rental	2,575	0.3%	5,928	0.8%
Water purchases	477	0.1%	458	0.1%
Miscellaneous	2,226	0.3%	2,001	0.3%
Bad debt expense	1,365	0.2%	1,287	0.2%
Total Operating Expenses	<u>907,331</u>	<u>103.0%</u>	<u>834,317</u>	<u>107.3%</u>
INCOME (LOSS) FROM OPERATIONS	<u>(26,079)</u>	<u>-3.0%</u>	<u>(56,827)</u>	<u>-7.3%</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	172	0.0%	202	0.0%
Grant income	56,320	6.4%	-	0.0%
Interest expense	(40,609)	-4.6%	(43,042)	-5.5%
DHH fees collected	22,175	2.5%	21,422	2.8%
DHH fees disbursed	(20,104)	-2.3%	(20,127)	-2.6%
Insurance recovery	-	0.0%	0	0.0%
Miscellaneous income	8,700	1.0%	9,084	1.2%
Total Non-Operating Revenues (Expenses)	<u>26,654</u>	<u>3.0%</u>	<u>(32,461)</u>	<u>-4.2%</u>
CHANGE IN NET POSITION	<u>575</u>	<u>0.1%</u>	<u>(89,288)</u>	<u>-11.5%</u>
NET POSITION - BEGINNING OF YEAR	<u>1,885,202</u>		<u>1,974,490</u>	
NET POSITION - END OF YEAR	<u>\$ 1,885,777</u>		<u>\$ 1,885,202</u>	

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows
For the Years Ended April 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 887,802	\$ 767,352
Payments to suppliers	(548,787)	(529,103)
Payments to employees	(216,046)	(206,536)
Other	3,397	(1,712)
Net Cash Provided (Used) in Operating Activities	126,366	30,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	172	202
Other income (expense)	65,786	145,498
Net Cash Provided (Used) in Investing Activities	65,958	145,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(34,391)	(90,813)
Principal paid on bonds	(95,000)	(90,000)
Interest paid on bonds	(39,957)	(43,659)
Net Cash (Used) in Capital and Related Financing Activities	(169,348)	(224,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,976	(48,771)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	571,666	620,437
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 594,642	\$ 571,666
Cash and Cash Equivalents:		
Restricted	\$ 418,159	\$ 406,263
Unrestricted	176,483	165,403
	\$ 594,642	\$ 571,666

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended April 30,

	2023	2022
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (26,079)	\$ (56,827)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	128,947	133,944
(Increase) decrease in receivables	6,550	(10,138)
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable	1,016	(36,626)
Increase (decrease) in accrued compensation	5,295	117
Increase (decrease) in restricted refundable meter deposits	2,280	(425)
Increase (decrease) in payroll taxes	8,357	(44)
Total Adjustments	152,445	86,828
Net Cash Provided (Used) by Operating Activities	\$ 126,366	\$ 30,001
 Supplemental Disclosure:		
Cash paid for interest	\$ 39,957	\$ 46,299

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements
April 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury in 1971. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Financial Reporting Entity

As more fully described in paragraph one above, the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

Fund Accounting

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

Basis of Accounting

The District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

The District uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the balance sheet.

Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management’s evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user’s ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

Property, Plant, Equipment, and Construction in Progress

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Furniture, fixtures, and equipment	3 – 10 years
Trucks	5 years
Water wells	10 – 50 years
Water tank	10 – 50 years
Distribution system	10 – 50 years
Plant and buildings	20 – 40 years
Land improvements	15 years

Depreciation amounted to \$128,947 and \$133,944 for the years ended April 30, 2023 and 2022, respectively.

Cash and Cash Equivalents

The District considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Risk Management

The District is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

Note 2 - Meeting Expense

Members of the Board of Commissioners are currently paid a \$100 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

	April 30, 2023		April 30, 2022	
Member	Total Meetings	Expense	Total Meetings	Expense
Doug Fleming	13	\$ 1,300	12	\$ 1,200
Clifford Welch, Jr.	11	1,100	11	1,100
Jack Bartlett	10	1,000	8	800
Kenneth Cochran	13	1,300	12	1,200
O.L. Johnson	13	<u>1,300</u>	12	<u>1,200</u>
		<u>\$ 6,000</u>		<u>\$ 5,400</u>

Note 3 - Accrued Vacation and Compensation

The District's liability for accumulated unpaid vacation and compensation as of April 30, 2023 and 2022, totaling \$18,501 and \$13,206, respectively, has been accrued at prevailing wage rates.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 4 - Retirement Benefits

The District implemented a Simplified Employee Pension Plan (SEPP) for its employees during the year ended April 30, 1987. This is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of National Life Group. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District currently contributes 6% of the salary of qualifying full-time employees to this plan. Employees are not allowed to make contributions to the plan. The employer contributions are fully vested and non-forfeitable. The contributions for years 2023 and 2022 were \$8,201 and \$7,478, respectively.

Note 5 - Cash and Cash Equivalents

At April 30, 2023 and 2022, the District had cash and cash equivalents (book balances) totaling \$594,642 and \$571,666, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the District's name.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned.

At April 30, 2023, the District had \$594,675 in deposits (collected bank balances). These deposits are secured from risk by \$390,616 of federal deposit insurance and \$380,000 of pledged securities held in a custodial bank in the District's name.

At April 30, 2022, the District had \$587,455 in deposits (collected bank balances). These deposits are secured from risk by \$340,616 of federal deposit insurance and \$359,139 of pledged securities held in a custodial bank in the District's name.

The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk on those amounts.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 5 - Cash and Cash Equivalents (Continued)

Under Louisiana Revised Statutes 33:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, highly rated investment grade commercial paper, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

Note 6 - Restricted Assets

Restricted assets consist of cash and receivables restricted for construction, the purchase of equipment, the retirement of the District's revenue bonds and meter deposits of users. The following is a schedule of restricted assets as of April 30:

	2023	2022
Debt Services Funds	\$ 308,354	\$ 298,738
Meter Deposits	<u>109,805</u>	<u>107,525</u>
	<u>\$ 418,159</u>	<u>\$ 406,263</u>

Note 7 - Capital Assets

Capital asset activity for the year ended April 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and construction in progress	\$ 26,857	\$ -	\$ -	\$ 26,857
Capital Assets Being Depreciated:				
Plant and Distribution System	4,829,041	24,821	-	4,853,862
Furniture, Fixtures, & Equipment	<u>307,368</u>	<u>9,571</u>	<u>-</u>	<u>316,939</u>
Total Capital Assets being Depreciated	5,136,409	34,392	-	5,170,801
Less Accumulated Depreciation	<u>2,492,091</u>	<u>128,947</u>	<u>-</u>	<u>2,621,038</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,644,318</u>	<u>(94,555)</u>	<u>-</u>	<u>2,549,763</u>
Total Capital Assets, Net	<u>\$2,671,175</u>	<u>\$ (94,555)</u>	<u>\$ -</u>	<u>\$2,576,620</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 7 - Capital Assets (Continued)

Capital asset activity for the year ended April 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and construction in progress	\$ 26,857	\$ -	\$ -	\$ 26,857
Capital Assets Being Depreciated:				
Plant and Distribution System	4,744,751	84,290	-	4,829,041
Furniture, Fixtures, & Equipment	<u>300,846</u>	<u>6,522</u>	<u>-</u>	<u>307,368</u>
Total Capital Assets being Depreciated	5,048,597	90,812	-	5,136,409
Less Accumulated Depreciation	<u>2,358,147</u>	<u>133,944</u>	<u>-</u>	<u>2,492,091</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,687,450</u>	<u>(43,132)</u>	<u>-</u>	<u>2,644,318</u>
Total Capital Assets, Net	<u>\$2,714,307</u>	<u>\$ (43,132)</u>	<u>\$ -</u>	<u>\$2,671,175</u>

Note 8 - Changes in Long-Term Debt

The following is a summary of revenue bonds payable transactions of the District for the year ended April 30, 2023 and 2022:

Outstanding at April 30, 2022	\$ 1,335,000
Bonds retired	<u>95,000</u>
Outstanding at April 30, 2023	\$ <u>1,240,000</u>
Outstanding at April 30, 2021	\$ 1,425,000
Bonds retired	<u>90,000</u>
Outstanding at April 30, 2022	\$ <u>1,335,000</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 8 - Changes in Long-Term Debt (Continued)

Long-term debt at April 30, consists of the following: 2023 2022

\$2,000,000 Water Revenue Bonds, 2012 Series; dated August 1, 2012; due in annual principal and semi-annual interest installments; annual total debt service payments of \$114,037 to \$157,126, including interest at 2.743%, through the year 2032; secured by pledged revenues of the waterworks system \$1,240,000 \$1,355,000

The annual requirements to amortize all debt outstanding as of April 30, 2023, are as follows:

Year Ending April 30,	Principal	Interest	Total
2024	\$ 100,000	\$ 32,642	\$ 132,642
2025	100,000	29,899	129,899
2026	110,000	27,019	137,019
2027	115,000	23,933	138,933
2028	120,000	20,710	140,710
2029-2033	695,000	49,717	744,717
Total	\$ 1,240,000	\$ 183,920	\$ 1,423,920

The revenue bonds are to be retired from the income and revenues derived from the operation of the system of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana.

Note 9 - Compliance with Bond Covenants

The revenue bond agreement with JPMorgan Chase Bank contains various requirements relating to reserves, financial ratios, operating results, etc. The District not meet the rate covenant requirements for year ending April 30, 2023.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2023 and 2022

Note 10 - Prior Year Balances

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets.

Note 11 - Subsequent Events

The District evaluated its April 30, 2023 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouenepa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

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

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

We have audited 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, the financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued our report thereon dated August 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana'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 Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2023-02 to be a material weakness.

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2023-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana'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 my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters, item 2023-03 that are required to be reported under *Government Auditing Standards*.

Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's Response to Findings

Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's responses were 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 14, 2023

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Responses
For the Year Ended April 30, 2023

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2023-01; material weakness in internal control – refer to B. 2023-02.
3. Item 2023-03 instance of noncompliance noted.

B. GAGAS Findings:

2023-01 Segregation of Duties –

Condition: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. This is a repeat finding.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.

Response: Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Commissioners have implemented supervision and review procedures to the extent possible.

2023-02 Financial Statement Reporting –

Condition: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. This is a repeat finding.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported. Management should consider contracting an accountant to assist in the financial reporting process.

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Responses
For the Year Ended April 30, 2023

2023-03 Non-compliance With Bond Covenant –

Condition: Per the bond covenants contained in the Series 2012 \$2,000,000 Water Revenue Bonds, the District is required to produce net revenues equal to or greater than 120% of the highest combined principal and interest requirements on the bonds. The District did not meet said covenant.

Recommendation: Management should monitor water rates to obtain such coverage of 120% of the highest combined principal and interest requirements of the bonds.

Response: Management will implement revised water rates if determined necessary to obtain compliance with the bond covenants.

C. Prior Year Findings:

2022-01 Segregation of Duties - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

2022-02 Financial Statement Reporting – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

2022-03 Non-compliance With Bond Covenant – Per the bond covenants contained in the Series 2012 \$2,000,000 Water Revenue Bonds, the District is required to produce net revenues equal to or greater than 120% of the highest combined principal and interest requirements on the bonds. The District did not meet said covenant.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana

**Schedule of Compensation, Benefits and Other
Payments to the President of the Board of Commissioners**

For the Year Ended April 30, 2023

Agency Head: O. L. Johnson, Board President

Purpose	Amount
Commissioner Fees	\$1,300
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants
2720 RUE DE JARDIN, SUITE 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2022 through April 30, 2023. Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period May 1, 2022 through April 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings: The purchasing policy does not address (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with public bid law; and (5) documentation required to be maintained for all bids and price quotes. The written policies and procedures do not address travel and debt service.

The District Management's response: While the District actively employs and monitors above polices and procedures listed as "findings", they are not written into the District's policy manual. The written policies and procedures will be updated to address all items listed as "findings".

Board or Finance Committee

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

No exceptions were found as a result of these procedures.

Bank Reconciliations

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

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding: The bank reconciliations did not include evidence that a member of management with no involvement in transaction process associated with bank accounts has reviewed the bank reconciliations.

Management's Response: A Board member with no involvement in transactions associated with bank accounts will begin reviewing bank reconciliations and include evidence of that review on the bank reconciliation.

Collections (excluding electronic funds transfers)

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

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Finding: Bank deposit was not made within one business day of receipt.

Management Response: Deposits not made on day of receipt are kept in locked safe until deposit can be made.

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

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

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

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings: The person responsible for processing payments can also add a vendor to the entity's purchasing/disbursement system.

Management's Response: Management reviews and approves all invoices. The District does not consider it feasible to restrict the person responsible for processing payments from adding vendors.

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

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

No exceptions were found as a result of these procedures.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were found as a result of these procedures.

Debt Service

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

Findings: The District was not in compliance with bond rate covenant.

Management's Response: Management will review bond rate covenant and revise water rates accordingly.

Fraud Notice

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

Findings: The District does not have "fraud notice" posted on District's website.

Management Response: The District will post "fraud" notice on the District's website.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing

up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

Sexual Harassment

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

Findings: The District does not have Sexual Harassment Policy posted on District's website.

Management's Response: The District post Sexual Harassment Policy on the District's website..

We were engaged by Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 14, 2023