

**WATERWORKS DISTRICT NO. 11
OF WARDS 4 AND 7 OF
CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana**

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

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana
Sulphur, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 4 through 7, and the OPEB liability information on page 36 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 our 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 assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's basic financial statements. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer 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 November 14, 2023, on our consideration of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
November 14, 2023

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

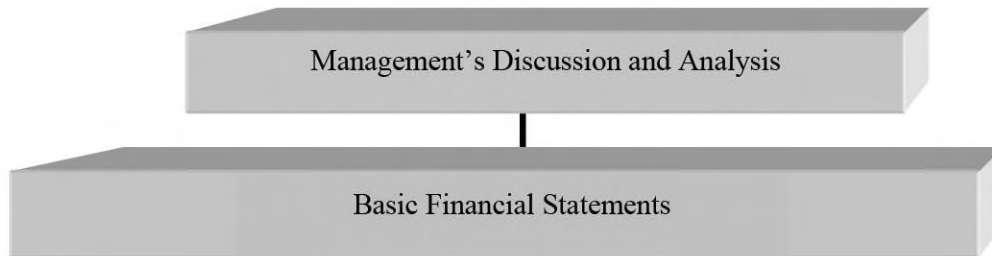
The Management’s Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2023. This document focuses on 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 \$3,940,856 which represents a 5.6% increase from last fiscal year. Of this amount, \$362,066 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue increased \$8,592 (or 0.9%) and the net loss from operations increased by \$106,596.

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. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 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 Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Position (pages 8 - 9) 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 10) 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 11 - 12) 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.

The Statement of Net Position – Fiduciary Funds (page 13) separately presents the assets and liabilities of the fiduciary funds.

The Statement of Changes in Fiduciary Net Position – Fiduciary Funds (page 14) separately presents additions and deductions from the fiduciary funds net position.

FINANCIAL ANALYSIS OF THE ENTITY

	2023	2022	2021
Current assets	\$ 1,029,221	\$ 979,977	\$ 1,121,309
Capital assets	4,153,328	4,176,955	3,962,813
Total assets	<u>5,182,549</u>	<u>5,156,932</u>	<u>5,084,122</u>
Deferred outflows	-	-	-
Total assets and deferred outflows	<u>5,182,549</u>	<u>5,156,932</u>	<u>5,084,122</u>
Other liabilities	304,395	276,457	258,419
Long-term debt outstanding	867,902	1,144,689	1,346,052
Total liabilities	<u>1,172,297</u>	<u>1,421,146</u>	<u>1,604,471</u>
Deferred inflows	69,396	2,105	31,092
Total liabilities and deferred inflows	<u>1,241,693</u>	<u>1,423,251</u>	<u>1,635,563</u>
Net position:			
Net investment in capital assets	3,500,328	3,312,455	2,891,813
Amounts restricted for debt service	78,462	117,144	135,985
Unrestricted amounts	362,066	304,082	420,761
Total net position	<u>\$ 3,940,856</u>	<u>\$ 3,733,681</u>	<u>\$ 3,448,559</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

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.

The net position of the District increased by \$207,175, or 5.6%, from June 30, 2022 to June 30, 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 977,052	\$ 968,460	\$ 970,697
Operating expenses	<u>(1,266,217)</u>	<u>(1,151,029)</u>	<u>(1,188,390)</u>
Operating income (loss)	(289,165)	(182,569)	(217,693)
Non-operating revenues (expenses)	<u>496,340</u>	<u>467,691</u>	<u>423,669</u>
Net increase (decrease) in net position	<u>\$ 207,175</u>	<u>\$ 285,122</u>	<u>\$ 205,976</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had \$4,153,328, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See table below) This amount represents a net decrease (including additions and deductions) of \$23,627, or .6%, from last year.

	2023	2022	2021
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Construction in Progress	39,255	-	-
Plant and Distribution System	7,699,056	7,535,178	7,107,574
Furniture, Fixtures, and Equipment	169,092	169,092	169,092
Less Accumulated Depreciation	<u>(3,775,439)</u>	<u>(3,548,679)</u>	<u>(3,335,217)</u>
Totals	<u>\$ 4,153,328</u>	<u>\$ 4,176,955</u>	<u>\$ 3,962,813</u>

This year's significant capital addition included above is:

- Taps and Bores \$ 86,660

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

Debt

The District had \$653,000 in bonds outstanding at year-end, compared to \$864,500 last year, a decrease of 24.5%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	2023	2022	2021
Revenue Bonds	\$ 600,000	\$ 785,000	\$ 965,000
Certificates of Indebtedness	53,000	79,500	106,000
Totals	\$ 653,000	\$ 864,500	\$ 1,071,000

The District issued \$265,000 of Excess Revenue Certificates of Indebtedness, Series 2014, during the fiscal year ending June 30, 2015. The Certificates of Indebtedness were dated October 21, 2014. These certificates were issued for the purpose of funding a portion of the costs of construction and installation of a new elevated water tank and installation of water lines within the District.

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 Nettles, Office Manager, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Net Position
As of June 30,**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 347,521	\$ 261,272
Restricted assets		
Cash and cash equivalents	266,798	301,812
Investments	246,840	243,987
Receivables (net of allowances for uncollectibles of \$21,467 for 2023 and \$10,395 for 2022):		
Water sales	96,272	102,272
Unbilled water sales	28,853	28,504
Ad Valorem taxes	582	582
Prepaid expenses	42,355	41,548
Total Current Assets	1,029,221	979,977
PROPERTY, PLANT, AND EQUIPMENT		
Plant and distribution system	7,699,056	7,535,178
Furniture, fixtures, and equipment	169,092	169,092
	7,868,148	7,704,270
Less accumulated depreciation	(3,775,439)	(3,548,679)
	4,092,709	4,155,591
Construction in Progress	39,255	-
Land and right of ways	21,364	21,364
Net Property, Plant, and Equipment	4,153,328	4,176,955
TOTAL ASSETS	5,182,549	5,156,932
DEFERRED OUTFLOWS OF RESOURCES RELATED TO OPEB	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,182,549	\$ 5,156,932

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Net Position (Continued)
As of June 30,**

	2023	2022
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 41,765	\$ 16,048
Accrued wages	19,359	20,073
Payroll taxes and retirement payable	24,595	23,181
Total Current Liabilities	85,719	59,302
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	2,036	2,735
Due within one year - revenue bonds	190,000	185,000
Due within one year - excess revenue certificates of indebtedness	26,500	26,500
Refundable customer deposits	216,640	214,420
Total Current Liabilities (Payable From Restricted Assets)	435,176	428,655
LONG-TERM LIABILITIES		
Due in more than one year - revenue bonds	410,000	600,000
Due in more than one year - excess revenue certificates of indebtedness	26,500	53,000
OPEB payable	214,902	280,189
Total Long-Term Liabilities	651,402	933,189
TOTAL LIABILITIES	1,172,297	1,421,146
DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB	69,396	2,105
NET POSITION		
Net investment in capital assets	3,500,328	3,312,455
Amounts restricted for debt service	78,462	117,144
Unrestricted amounts	362,066	304,082
TOTAL NET POSITION	3,940,856	3,733,681
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 5,182,549	\$ 5,156,932

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water sales	\$ 949,999	\$ 940,859
Tap fees	27,053	27,601
Total Operating Revenues	<u>977,052</u>	<u>968,460</u>
OPERATING EXPENSES		
Salaries	467,898	444,050
Payroll taxes and employee benefits	50,244	38,808
Retirement expense	25,761	25,939
Insurance	109,153	86,750
Legal and accounting fees	24,100	15,500
Office supplies	11,754	13,427
Plant supplies	105,806	77,992
Repairs and maintenance	108,469	120,718
Truck expense	544	1,064
Utilities and telephone	64,608	58,279
Depreciation	226,760	213,462
Bank charges	6,363	6,347
Dues and fees	7,825	6,444
Commissioners per diem	7,200	5,800
Bad debt expense	11,072	4,610
Miscellaneous	38,660	31,839
Total Operating Expenses	<u>1,266,217</u>	<u>1,151,029</u>
INCOME (LOSS) FROM OPERATIONS	<u>(289,165)</u>	<u>(182,569)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	350,342	343,139
Interest income	2,985	584
Interest expense	(34,299)	(41,491)
State and Police Jury grant revenues	-	49,275
Hurricane costs reimbursement - FEMA	104,264	-
Insurance payments received	71,773	102,780
Miscellaneous income (expense)	1,275	13,404
Total Non-Operating Revenues (Expenses)	<u>496,340</u>	<u>467,691</u>
CHANGE IN NET POSITION	207,175	285,122
NET POSITION - BEGINNING OF YEAR	<u>3,733,681</u>	<u>3,448,559</u>
NET POSITION - END OF YEAR	<u>\$ 3,940,856</u>	<u>\$ 3,733,681</u>

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Cash Flows
For the Years Ended June 30,**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 971,631	\$ 965,150
Payments to suppliers and other	(533,356)	(464,326)
Payments to employees	(483,346)	(476,381)
Net Cash Provided (Used) for Operating Activities	(45,071)	24,443
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	(2,853)	(332)
Interest earned	2,985	584
Net Cash Provided (Used) for Investing Activities	132	252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(185,681)	(427,604)
Principal payments on bonds	(211,500)	(206,500)
Interest expense	(34,299)	(41,491)
Cash received for ad valorem taxes	350,342	343,139
State and Police Jury grant receipts	-	49,275
Receipts from FEMA	104,264	-
Insurance payments received	71,773	102,780
Miscellaneous	1,275	13,404
Net Cash Provided (Used) for Capital and Related Financing Activities	96,174	(166,997)
Net Increase (Decrease) in Cash and Cash Equivalents	51,235	(142,302)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	563,084	705,386
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 614,319	\$ 563,084
Cash and Cash Equivalents:		
Unrestricted	\$ 347,521	\$ 261,272
Restricted	266,798	301,812
	\$ 614,319	\$ 563,084

The accompanying notes are an integral part of the financial statements

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended June 30,**

	2023	2022	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Income (loss) from operations	\$ (289,165)	\$ (182,569)	
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	226,760	213,462	
Provisions for bad debts	11,072	4,610	
(Increase) decrease in accounts receivable	(5,421)	(3,310)	
(Increase) decrease in prepaid expense	(807)	(1,938)	
(Increase) decrease in deferred outflows OPEB	-	-	
Increase (decrease) in accounts payable and other accrued expenses	8,266	9,998	
Increase (decrease) in restricted refundable customer deposits	2,220	8,040	
Increase (decrease) in accrued OPEB payable	(65,287)	5,137	
Increase (decrease) in deferred inflows OPEB	67,291	(28,987)	
Total Adjustments	244,094	207,012	
Net Cash Provided (Used) by Operating Activities	\$ (45,071)	\$ 24,443	
 Supplemental Disclosure:			
Cash paid for interest	\$ 34,998	\$ 42,175	

The accompanying notes are an integral part of the financial statements

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Net Position - Fiduciary Funds
As of June 30,**

	2023	2022
ASSETS		
Investments	\$ 294,440	\$ 305,651
LIABILITIES		
Deferred compensation benefits	\$ 294,440	\$ 305,651

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Years Ended June 30,**

	2023	2022
ADDITIONS		
Employee and employer contributions	\$ 48.072	\$ 49.960
Transfers in	54.201	-
Interest earnings	1.428	-
Net appreciation in fair value of investments	28.986	-
Total additions	132.687	49.960
DEDUCTIONS		
Withdrawals	89.697	13.518
Transfers out	54.202	-
Fees	-	-
Net depreciation in fair value of investments	-	57.257
Total deductions	143.899	70.775
Change in net position	(11.212)	(20.815)
Net position held in agency funds .		
Beginning of year	305.651	326.466
End of year	\$ 294.440	\$ 305.651

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2023 and 2022**

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. 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.

A. Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 11 of Wards 4 and 7 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 NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 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.

B. 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.

The District also has a fiduciary fund related to its 457 plan as further discussed in notes 9 and 10.

C. 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.

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Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 statement of net position.

D. Fixed Assets

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:

Plant and distribution system	10 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 40 Years	Straight Line

Depreciation expense amounted to \$226,760 for the year ended June 30, 2023, and \$213,462 for the year ended June 30, 2022.

E. Estimates

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

F. 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.

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Note 1 - Summary of Significant Accounting Policies (Continued)

G. 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.

H. Cash and Cash Equivalents

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

I. Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, nonoperating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements..

Note 2 - Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the year ended December 31, 2022, taxes of 5.51 mills were levied on property with net assessed valuations of approximately \$65,937,482. Total taxes levied, net of pension funds, were \$351,595. The 5.51 mills were dedicated to the maintenance fund.

Note 3 - Changes in Long-Term Debt

The following is a summary of long-term debt payable transactions of the District for the year ended June 30, 2023 and 2022:

	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2022	\$ 785,000	\$ 79,500	\$ 864,500
Debt Retired	<u>(185,000)</u>	<u>(26,500)</u>	<u>(211,500)</u>
Outstanding at June 30, 2023	<u>\$ 600,000</u>	<u>\$ 53,000</u>	<u>\$ 653,000</u>
	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2021	\$ 965,000	\$ 106,000	\$ 1,071,000
Debt Retired	<u>(180,000)</u>	<u>(26,500)</u>	<u>(206,500)</u>
Outstanding at June 30, 2022	<u>\$ 785,000</u>	<u>\$ 79,500</u>	<u>\$ 864,500</u>

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OF CALCASIEU PARISH, LOUISIANA
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Notes to Financial Statements
June 30, 2023 and 2022**

Note 3 - Changes in Long-Term Debt (Continued)

Long-term debt at June 30, 2023 and 2022 consisted of the following:

<u>Revenue Bonds:</u>	<u>2023</u>	<u>2022</u>
\$2,365,000 Water Revenue Refunding Bonds, 2012 Series, dated April 19, 2012, due in annual installments of \$34,248 to \$219,663 through June 1, 2026, interest at 1.25% to 4.25%	\$ 600,000	\$ 785,000
 <u>Certificates of Indebtedness:</u>		
\$265,000 Excess Revenue Certificates of Indebtedness, Series 2014, dated October 21, 2014; due in annual installments of \$26,872 to \$30,223 through October 1, 2024, interest at 2.81%	\$ 53,000	\$ 79,500

The annual requirements to amortize all debt outstanding as of June 30, 2023, are as follows.

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 190,000	\$ 25,500	\$ 215,500
2025	200,000	17,425	217,425
2026	<u>210,000</u>	<u>8,925</u>	<u>218,925</u>
Total	<u>\$ 600,000</u>	<u>\$ 51,850</u>	<u>\$ 651,850</u>
 <u>Certificates of Indebtedness</u> Year Ending June 30,			
2024	\$ 26,500	\$ 1,117	\$ 27,617
2025	<u>26,500</u>	<u>372</u>	<u>26,872</u>
Total	<u>\$ 53,000</u>	<u>\$ 1,489</u>	<u>\$ 54,489</u>

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June 30, 2023 and 2022**

Note 3 - Changes in Long-Term Debt (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2022, are as follows.

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 185,000	\$ 33,363	\$ 218,363
2024	190,000	25,500	215,500
2025	200,000	17,425	217,425
2026	<u>210,000</u>	<u>8,925</u>	<u>218,925</u>
Total	<u>\$ 785,000</u>	<u>\$ 85,213</u>	<u>\$ 870,213</u>

<u>Certificates of Indebtedness</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,500	\$ 1,861	\$ 28,361
2024	26,500	1,117	27,617
2025	<u>26,500</u>	<u>372</u>	<u>26,872</u>
Total	<u>\$ 79,500</u>	<u>\$ 3,350</u>	<u>\$ 82,850</u>

The revenue bonds and certificates of indebtedness are to be retired from the income and revenues derived from the operation of the system of Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. In event of default, the District agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the District under these agreements.

Note 4 - Compliance with Bond Covenants

The revenue bond agreement contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending June 30, 2023 and 2022.

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Note 5 - Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits. The following is a schedule of restricted assets as of June 30:

	<u>2023</u>	<u>2022</u>
Bond Redemption Fund	\$ 1,255	\$ 1,254
Sinking Fund	28,167	24,308
Reserve Fund	218,925	219,931
Construction Fund	48,651	85,886
Customer Deposits	<u>216,640</u>	<u>214,420</u>
	<u>\$ 513,638</u>	<u>\$ 545,799</u>

Note 6 - Cash, Cash Equivalents, and Investments

At June 30, 2023 and 2022, the District had cash and cash equivalents (book balances) totaling \$614,319 and \$563,084, 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 June 30, 2023, the District had \$632,439 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$344,784 of pledged securities held in a custodial bank in the District's name.

At June 30, 2022, the District had \$582,136 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$330,998 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.

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Note 6 - Cash, Cash Equivalents, and Investments (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.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$246,840 as of June 30, 2023 and \$243,987 as of June 30, 2022.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA - R.S. 33.2955.

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

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

Credit risk: LAMP is rated AAAM by Standard & Poor's. The District does not have credit risk policies for investments.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

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Note 6 - Cash, Cash Equivalents, and Investments (Continued)

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 26 days as of June 30, 2023. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Note 7 - Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Construction in Progress	<u>-0-</u>	<u>39,255</u>	<u>-0-</u>	<u>39,255</u>
Capital Assets Being Depreciated.				
Plant and Distribution System	7,535,178	163,878	-0-	7,699,056
Furniture, Fixtures, & Equipment	<u>169,092</u>	<u>-0-</u>	<u>-0-</u>	<u>169,092</u>
Total Capital Assets being Depreciated	7,704,270	163,878	-0-	7,868,148
Less Accumulated Depreciation	<u>3,548,679</u>	<u>226,760</u>	<u>-0-</u>	<u>3,775,439</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,155,591</u>	<u>(62,882)</u>	<u>-0-</u>	<u>4,092,709</u>
Total Capital Assets, Net	<u>\$ 4,176,955</u>	\$ (23,627)	\$ -0-	\$ 4,153,328

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Note 7 - Capital Assets (Continued)

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Capital Assets Being Depreciated				
Plant and Distribution System	7,107,574	427,604	-0-	7,535,178
Furniture, Fixtures, & Equipment	169,092	-0-	-0-	169,092
Total Capital Assets being Depreciated	7,276,666	427,604	-0-	7,704,270
Less Accumulated Depreciation	3,335,217	213,462	-0-	3,548,679
Total Capital Assets Being Depreciated, Net of Depreciation	3,941,449	214,142	-0-	4,155,591
Total Capital Assets, Net	\$ 3,962,813	\$ 214,142	\$ -0-	\$ 4,176,955

Note 8 - Board of Commissioners' Fees

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

	2023	2022
Ronnie Bowers	\$ 1,600	\$ 1,400
Robert Barrentine	1,700	1,200
David Nezat	1,400	700
Don Fruge	1,200	1,300
Mike Guidry	1,300	1,200
Total	\$ 7,200	\$ 5,800

Note 9 - Fiduciary Activities

Investments reported at fair value on the District's Statement of Net Position – Fiduciary Funds consist of investments held by the District's 457 plan, described in Note 10, on behalf of its employees. The investments are not included on the District's basic financial statements and instead are shown on its fiduciary statements. The investments consist entirely of mutual funds which are traded on active markets and are considered level 1 investments. The three levels of fair market hierarchy are as follows:

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Note 9 - Fiduciary Activities (Continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available.

The fair value of investments as of June 30, 2023:

Asset Allocation - Balanced - Bond Funds	\$ 294,440
Total Investments	\$ 294,440

The fair value of investments as of June 30, 2022:

Asset Allocation - Balanced - Bond Funds	\$ 305,651
Total Investments	\$ 305,651

Note 10 - Defined Contribution Plan

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The employee contributions and employer matching are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. The District has no obligation other than that of paying the current year's liability. All District employees are permitted to contribute a portion of their salary to the plan. The District makes a matching contribution to the plan up to 6% of the employee's compensation. This plan is administered by Empower Retirement.

During the year ending June 30, 2023, contributions by the District amounted to \$25,761, covering all of the District's payroll of \$467,898.

During the year ending June 30, 2022, contributions by the District amounted to \$25,939, covering all of the District's payroll of \$444,050.

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Note 11 - Risk Management

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

Note 12 – Other Postemployment Benefits (OPEB)

In 2018, the Calcasieu Parish Police Jury (Parish) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Parish consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future – upon retirement – and whose costs will be borne by the Parish in the future. The Statement also attempts to quantify the future “retirement” costs that have been earned by the employee during his/her active years of employment. The Parish will finance the postemployment benefits on a “pay-as-you-go” basis. GASB Statement 75 requires that the liability be recognized in the financial statements for the actuarial determined portion of the projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service. The notes to the financial statements contain other required disclosure information from GASB Statement 75.

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 as of January 1, 2022 with a measurement date of December 31, 2022. For the Parish plan, the actuarial valuation is required every other year therefore the actuarial valuation prepared will be utilized for the two-year periods of 2022 and 2023 with the inclusion of the appropriate second year adjustments. The 2022 valuation included a change in assumption for a decrease in the discount rate (described in the table below).

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future

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Note 12 – Other Postemployment Benefits (OPEB) (Continued)

Plan Description: The Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. As a component unit, the District may at their option participate in the employee’s group health, dental and life insurance programs sponsored and administered by the Parish in conjunction with its third party insurance providers and administrative agents

While there is no specific written plan for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided: The Parish OPEB Plan provides health (medical and prescription), dental and life insurance programs for retirees and their dependents. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a self-insured basis. Benefits are subsidized by the Parish. Dental and life insurance coverage are available to retirees, but these coverages are not subsidized by the Parish. The Parish does not reimburse for Medicare Part B or Part D premium for Medicare eligible retirees and dependents.

Employees Covered. Employees who have twenty (20) years of cumulative service at retirement will be eligible for the above referenced retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. Retirees are required to contribute one hundred percent (100%) of the monthly retiree premium for benefits elected.

At December 31, 2022, the following employees were covered by the benefit terms:

	<u>Parish</u>	<u>District</u>
Active Employees	1,109	5
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	170	-
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-	-
Total Covered Employees	<u>1,279</u>	<u>5</u>

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Note 12 – Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability for the January 1, 2022 actuarial valuation, with a measurement date of December 31, 2022, was determined using the following actuarial assumptions and other inputs, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	4.18% using an average of following two 20-year bond indices (a) municipal S&P Municipal Bond 20 Year High Grade Rate Index – 4.31%, and (b) Fidelity GA AA 20 Years – 4.05%. The discount rate of 4.18% was increased from 2.05% utilized in 2021
Healthcare Cost Trend Rates	7% for pre-65 and post 65 retirees decreasing .25% per year to an ultimate rate of 4.5% in 2034 and later. The healthcare rate of 7% decreased from 8% in 2020
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021. The prior valuation reflected the RP 2014 mortality table with the MP-2019 mortality improvement table.

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Note 12 – Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability: The following table shows the components of the Parish's total OPEB liability for the current year:

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year	\$40,139,003	\$40,139,003	\$17,098,845	\$57,417,848
Current Period Changes:				
Service Cost	297,474	297,474	195,131	492,605
Interest on Total OPEB Liability	1,659,626	1,659,626	702,356	2,361,982
Differences Between Expected and Actual Experience	-	-	-	-
Changes in Assumptions**	(17,042,847)	(17,042,847)	(3,731,643)	(20,774,490)
Benefit Payments	<u>(1,230,148)</u>	<u>(1,230,148)</u>	<u>(592,075)</u>	<u>(1,822,223)</u>
Net Change in Total OPEB Liability	(16,315,895)	(16,315,895)	(3,426,231)	(19,742,126)
Total OPEB Liability at End of Year – Measurement Date	<u>\$24,003,108</u>	<u>\$24,003,108</u>	<u>\$13,672,614</u>	<u>\$37,675,722</u>
** Changes in assumptions reflect an increase of 2.13% in the discount rate from 2.05% for 2021 to 4.18% for 2022.				

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.18%) or one percentage point higher (5.18%) than the current discount rate of 4.18%:

	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability Parish	\$44,823,368	\$37,675,722	\$32,311,337
Total OPEB Liability District	\$255,671	\$214,902	\$184,304

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Note 12 – Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish's and District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6%) or one percentage point higher (8%) than the current healthcare cost trend rate of 7%:

	1% Decrease (6%)	Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB Liability Parish	\$32,454,460	\$37,675,722	\$44,363,107
Total OPEB Liability District	\$185,121	\$214,902	\$253,047

Changes in the Total OPEB Liability: The following table shows the components of the District's total OPEB liability for the current year.

Net OPEB Obligation at June 30, 2022	\$ 280,189
Current Period Changes:	
Service Cost	3,247
Interest on Total OPEB Liability	11,672
Changes in Assumptions	(78,282)
Benefit Payments	(1,924)
Net Change in Total OPEB Liability	(65,287)
Net OPEB Obligation at June 30, 2023	<u>\$ 214,902</u>
District's Proportionate Percentage of Total Parish OPEB Obligation	0.57%
Change in Total Parish OPEB Obligation Since the Prior Measurement Date	(37.2)%

Deferred inflows of \$69,396 as of June 30, 2023 were the result of changes in assumptions. Amortization due to changes in assumptions is \$6,940 per year over 10 years.

Note 13 - Subsequent Events

The District evaluated its June 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.

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

Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana
Sulphur, 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's basic financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 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 a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana

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 2023-2 to be a material weakness.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District 11 of Wards 4 and 7 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. 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 the response.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
November 14, 2023

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses
For the Year Ended June 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. No instances of non-compliance noted.

B. GAGAS Findings:

2023-01 Segregation of Duties –

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

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

Effect: Without proper segregation of duties, errors within the financial records 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 deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. Commissioners have implemented supervision and review procedures to the extent possible. This a repeat finding.

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.

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.

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 NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2023**

C. Summary of 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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana**

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

Year Ended June 30, 2023

Agency Head: Ronnie Bowers, Board President

Purpose	Amount
Commissioner Fees	\$1,600
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	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.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish 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 July 1, 2022 through June 30, 2023. Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish's management is responsible for those C/C areas identified in the SAUPs.

Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish 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 July 1, 2022 through June 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.

1) Written Policies and Procedures

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

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

Exception #1A(x): No written policy noted regarding Debt Service.

Exception #1A(xi): The Sexual Harassment policy does not include (2) annual employee training and (3) annual reporting R.S. 42:342-344 requirements.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, 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.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exception #2A(iv): The Board of Directors does not consider it cost effective to hire employees required to resolve audit findings.

3) Bank Reconciliations

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

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

No exceptions were found through the performance of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. 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;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *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:
 - i. Observe that receipts are sequentially pre-numbered.

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

Exception #4B(ii): Employee responsible for collecting cash is responsible for preparing/making bank deposits

Exception #4B(iii): Employee responsible for collecting cash is responsible for posting collection entries to the general ledger.

Exception #4B(iv): The employee responsible for reconciling cash collections to the general ledger is also responsible for collecting cash.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

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

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements

Exception #5B(i): Noted purchases under \$500 do not require a second pre-purchase approval.

Exception #5B(iii): Noted employee responsible for processing payments is allowed to add and/or modify vendor files.

Exception #5B(iv): Noted employee who is responsible for processing payments also mails the processed payments.

Exception #5C(ii): Proper segregation of duties is not possible, therefore no evidence of segregation of duties was noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection)¹. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions were found through the performance of these procedures.

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

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

No exceptions were found through the performance of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *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:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the document approval), and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found through the performance of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee 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.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found through the performance of these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions were found through the performance of these procedures.

11) Debt Service

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

No exceptions were found through the performance of these procedures

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. 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.

No exceptions were found through the performance of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. 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).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action, and
 - v. Amount of time it took to resolve each complaint.

Exception #14A: No sexual harassment training noted for the employees tested.

Exception #14B: The entity's sexual harassment policy and complaint procedure is not posted on its website or in a conspicuous location on the entity's premises..

Exception #14C(i): The entity's employees have not completed the annual sexual harassment training.

Management's Responses

#1A(x) – The entity will update its policies regarding Debt Service.

#1A(xii) – The entity will update their sexual harassment policy to include the (2) annual employee training and (3) annual reporting R.S. 42:342-344 requirements.

#2A(iv) – The Board of Directors does not consider it cost effective to hire employees required to resolve audit findings.

#4B(ii) – Due to limited office staff District is not able to change this procedure.

#4B(iii) – Due to limited office staff District is not able to change this procedure.

#4B(iv) – Due to limited office staff District is not able to change this procedure.

#5B(i) – The entity employs an annual purchase order approval process whereby purchases under a specific dollar threshold do not require a second pre-purchase approval. Entity personnel are directed to compare purchases to annual purchase order documents.

#5B(iii) – Due to limited office staff District is not able to change this procedure.

#5B(iv) – Due to limited office staff District is not able to change this procedure.

#5C(ii) – Due to limited office staff District is not able to change this procedure.

#14A, #14C(i) – The entity will require all employees to complete one hour of sexual harassment training annually.

#14B – The entity will post its sexual harassment policy and complaint procedure on its website.

We were engaged by Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish 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 11 of Wards 4 and 7 of Calcasieu Parish 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
November 14, 2023