

**WATERWORKS DISTRICT NO. 7  
OF WARDS 6 AND 4 OF CALCASIEU  
PARISH, LOUISIANA**

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**Annual Financial Report  
September 30, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, Schedule of District's Proportionate Share of Net Pension Liability on page 38, and Schedule District's Contributions on page 39, and Schedule of Changes in Total OPEB Liability on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Compensation, Benefits and Other Payments is the responsibility of management and is derived from and relate directly to the underlying accounting and other records to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits and Other Payments is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 3, 2020 on my consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 3, 2020

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2019**

The Management’s Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended September 30, 2019. 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.

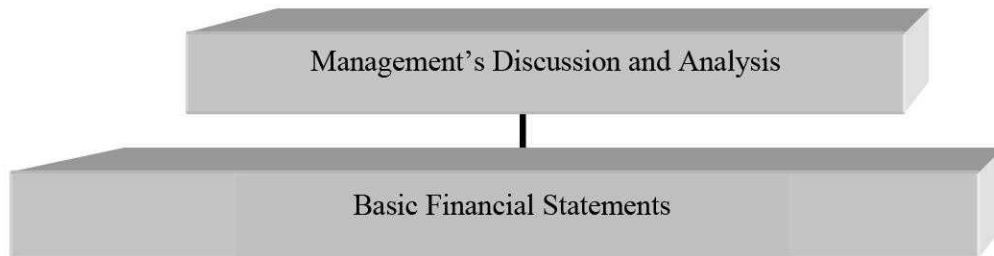
**FINANCIAL HIGHLIGHTS**

The District’s assets exceeded its liabilities at the close of fiscal year 2019 by \$3,497,477 which represents a 3.1% increase from last fiscal year. Of this amount, \$1,373,863 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue increased \$31,159 (or 6.4%), operating expenses increased \$22,400 (or 2.8%) and the net results from operating activities was a loss from operations of \$284,271.

**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. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2019**

**Basic Financial Statements**

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

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

The Statement of Revenues, Expenses, and Changes in Net Position (page 9 - 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 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 Cash Flow Statement (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.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2019	2018	2017
Current, other assets and deferred outflows	\$ 1,882,502	\$ 1,500,086	\$ 1,385,998
Capital assets	2,123,614	2,245,092	2,350,117
Total assets and deferred outflows	<u>4,006,116</u>	<u>3,745,178</u>	<u>3,736,115</u>
Other liabilities and deferred inflows	244,773	286,513	244,621
Long-term liabilities	263,866	67,798	155,073
Total liabilities and deferred inflows	<u>508,639</u>	<u>354,311</u>	<u>399,694</u>
Net position:			
Net investment in capital assets	2,123,614	2,212,347	2,275,165
Unrestricted amounts	1,373,863	1,178,520	1,061,256
Total net position	<u>\$ 3,497,477</u>	<u>\$ 3,390,867</u>	<u>\$ 3,336,421</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2019**

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 \$106,610, or 3.1%, from September 30, 2018 to September 30, 2019.

	2019	2018	2017
Operating revenues	\$ 515,108	\$ 483,949	\$ 477,903
Operating expenses	(799,379)	(776,979)	(768,892)
Operating income (loss)	(284,271)	(293,030)	(290,989)
Non-operating revenues (expenses)	390,881	361,104	374,942
Net increase (decrease) in net position	\$ 106,610	\$ 68,074	\$ 83,953

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2019, the District had \$2,123,614, 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 \$121,478, or (5.4%), from last year.

	2019	2018	2017
Land and Right of Ways	\$ 50,480	\$ 50,480	\$ 50,480
Water Plant	4,763,320	4,725,260	4,686,368
Buildings	130,729	130,729	130,727
Furniture, Fixtures, and Equipment	21,895	21,895	17,956
Meters and Equipment	851,641	844,997	910,488
Less Accumulated Depreciation	(3,694,451)	(3,528,269)	(3,445,902)
Totals	\$ 2,123,614	\$ 2,245,092	\$ 2,350,117

This year's major capital addition included above was:

- Various Water Line Extensions \$38,060

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2019**

**Debt**

The District had \$-0- in notes payable outstanding at year-end, compared to \$32,745 in notes payable last year. A schedule of this debt is shown in the table below.

Outstanding Debt at Year-end

	2019	2018	2017
Note Payable	\$ -	\$ 32,745	\$ 74,952
Total Debt	\$ -	\$ 32,745	\$ 74,952

**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 Eric Vige, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.



**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Net Position  
As of September 30,**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,471,125	\$ 1,210,563
Restricted assets:		
Cash and cash equivalents	131,002	133,047
Receivables - net of allowance for uncollectible accounts of \$7,738 for 2019 and \$7,738 for 2018	70,883	60,268
Prepaid insurance	26,906	27,010
Total Current Assets	1,699,916	1,430,888
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Water plant	4,763,320	4,725,260
Buildings	130,729	130,729
Office furniture and equipment	21,895	21,895
Meters and equipment	851,641	844,997
	5,767,585	5,722,881
Less: accumulated depreciation	(3,694,451)	(3,528,269)
	2,073,134	2,194,612
Land and right-of-ways	50,480	50,480
Net Property, Plant, and Equipment	2,123,614	2,245,092
<b>OTHER ASSETS</b>		
Perpetual service agreement	8,000	8,000
Total Other Assets	8,000	8,000
<b>TOTAL ASSETS</b>	3,831,530	3,683,980
<b>DEFERRED OUTFLOWS</b>		
Deferred outflows of resources related to pensions	174,586	61,198
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 4,006,116	\$ 3,745,178

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

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Net Position (Continued)  
As of September 30,**

<b>LIABILITIES</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 55,487	\$ 15,723
Payroll taxes and retirement payable	21,550	20,822
Accrued compensation	20,468	22,420
DHH fees	4,418	4,318
Total Current Liabilities	101,923	63,283
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Interest payable	-	106
Note payable due within one year	-	32,745
Customer deposits	31,000	33,045
Deferred tax payable	100,002	100,002
Total Current Liabilities (Payable From Restricted Assets)	131,002	165,898
<b>LONG-TERM LIABILITIES</b>		
Net pension liability (asset)	194,480	(30,443)
OPEB payable	69,386	65,496
Total Long-Term Liabilities	263,866	35,053
<b>TOTAL LIABILITIES</b>	496,791	264,234
<b>DEFERRED INFLOWS</b>		
Deferred inflows of resources related to pensions	11,848	90,077
<b>NET POSITION</b>		
Net investment in capital assets	2,123,614	2,212,347
Unrestricted amounts	1,373,863	1,178,520
<b>TOTAL NET POSITION</b>	3,497,477	3,390,867
<b>TOTAL LIABILITIES, DEFERRED INFLOWS , AND NET POSITION</b>	\$ 4,006,116	\$ 3,745,178

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

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Revenues, Expenses, and Changes in Net Position  
For The Years Ended September 30,**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>		
Water sales and fees	\$ 483,138	\$ 452,516
Member fees	17,455	20,188
Service charge income	5,175	3,260
Late charge income	9,340	7,985
Total Operating Revenues	515,108	483,949
<b>OPERATING EXPENSES</b>		
Advertising	426	938
Board per diem	5,800	5,600
Bank charges	4,431	3,757
Bad debt expense	492	2,931
Chemicals	30,093	33,580
Contract labor	-	2,200
Depreciation	166,182	170,161
Dues and subscriptions	5,380	4,454
Fuel	7,973	10,369
Insurance	102,624	110,926
Office expenses	2,906	3,285
Payroll taxes and retirement	68,590	40,745
Permits and licenses	300	525
Postage	6,041	5,488
Professional services	26,967	30,879
Professional development	859	560
Repairs and maintenance	23,378	8,800
Salaries	272,248	260,148
Supplies	28,754	31,003
Telephone	7,232	8,272
Travel and meals	991	116
Uniforms	1,303	1,110
Utilities	36,409	41,132
Total Operating Expenses	799,379	776,979
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>\$ (284,271)</b>	<b>\$ (293,030)</b>

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

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Revenues, Expenses, and Changes in Net Position (Continued)  
For The Years Ended September 30,**

	<u>2019</u>	<u>2018</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Tax revenue	\$ 386,940	\$ 338,921
CPPJ grant revenue	-	31,024
Revenue sharing	5,132	4,074
Interest income	3,508	1,910
Interest expense	(425)	(2,024)
Miscellaneous revenues	6,486	2,857
Miscellaneous expenses	(10,760)	(8,893)
Gain on disposal of fixed assets	-	(6,765)
Total Non-Operating Revenues (Expenses)	<u>390,881</u>	<u>361,104</u>
<b>CHANGE IN NET POSITION</b>	<u>106,610</u>	<u>68,074</u>
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	3,390,867	3,336,421
<b>PRIOR PERIOD ADJUSTMENT - IMPLEMENTATION OF GASB 75 (AS DESCRIBED IN NOTE 12)</b>	<u>-</u>	<u>(13,628)</u>
<b>NET POSITION -BEGINNING OF YEAR, AS RESTATED</b>	<u>3,390,867</u>	<u>3,322,793</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,497,477</u>	<u>\$ 3,390,867</u>

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

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Cash Flows  
For The Years Ended September 30,**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 530,365	\$ 503,882
Payments to suppliers	(307,065)	(311,375)
Payments to employees	(274,200)	(278,123)
Other	(1,200)	4,139
Net Cash Provided (Used) by Operating Activities	(52,100)	(81,477)
<b>Cash Flows From Investing Activities:</b>		
Interest income	3,508	1,910
Net Cash Provided (Used) by Investing Activities	3,508	1,910
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital expenditures for plant and equipment	(44,704)	(72,722)
Principal payments on long term debt	(32,745)	(42,207)
Cash received for ad valorem taxes	386,940	338,921
Intergovernmental - revenue sharing	5,132	4,074
Cash provided from CPPJ grant	-	31,024
Cash provided from miscellaneous income	6,486	2,857
Cash used for miscellaneous expenses	(10,760)	(8,993)
Cash received (disbursed) for customer deposits	(2,045)	2,445
Interest expense	425	(2,024)
Other	(1,620)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	307,109	253,375
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	258,517	173,808
<b>Cash and Cash Equivalents - Beginning of Year</b>	1,343,610	1,169,802
<b>Cash and Cash Equivalents - End of Year</b>	\$ 1,602,127	\$ 1,343,610
<b>Cash and Cash Equivalents:</b>		
Unrestricted	\$ 1,471,125	\$ 1,210,563
Restricted	131,002	133,047
	\$ 1,602,127	\$ 1,343,610

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

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Cash Flows (Continued)  
For The Years Ended September 30,**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (284,271)	\$ (293,030)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	166,182	170,161
(Increase) decrease in receivables	(10,615)	12,796
(Increase) decrease in prepaid insurance	104	(2,891)
Increase (decrease) in accounts payable and other accrued expenses	38,640	6,771
Increase (decrease) in accrued OPEB liability	3,890	9,960
Increase (decrease) in accrued net pension liability	33,970	14,756
	<u>232,171</u>	<u>211,553</u>
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	<u>\$ (52,100)</u>	<u>\$ (81,477)</u>
 <b>Supplemental Disclosure:</b>		
Cash paid for interest	<u>\$ 531</u>	<u>\$ 2,024</u>

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies**

Waterworks District No. 7 of Wards 6 and 4 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.

**Financial Reporting Entity**

As more fully described in paragraph one above, Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

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

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

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

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.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Fund Accounting**

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

**Basis of Accounting**

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

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

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

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

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.

**Cash and Cash Equivalents**

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



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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.

**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 is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives on the straight-line basis. The useful lives range from 5 to 40 years. Land and right of way costs are not depreciated.

Depreciation expense for the years ended September 30, 2019 and 2018 was \$166,182 and \$170,161, respectively.

**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, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

**Risk Management**

The District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2019 and 2018, the District contributed premiums of \$32,140 and \$35,103, respectively. There were no significant reductions in insurance coverage from the prior year.

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes**

For the years ended September 30, 2019 and 2018, taxes of 6.00 and 5.81 mills, respectively, were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated for the Maintenance Fund.

The following is a schedule of the 2018 property tax calendar that is applicable to the District:

1. Levy date - October, 2018
2. Billing date - November, 2018
3. Collection dates - December, 2018- May, 2019
4. Due dated - On receipt
5. Delinquent date - December 31, 2018
6. Lien date - June, 2019

These taxes, less certain uncollectible amounts, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2019.

**Note 2 - Restricted Assets**

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds in prior years. Tax revenues received that are dedicated for such purposes are required to be restricted. See note 13 for additional information.

Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

The following is a schedule of restricted assets as of September 30,:

	2019	2018
General Obligation Bond Fund	\$ 100,002	\$ 100,002
Customer Deposits Fund	31,000	33,045
	\$ 131,002	\$ 133,047

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**Note 3 – Long Term Debt**

The following is a summary of debt transactions of the District for the year ended September 30, 2019:

	Note Payable
Outstanding at September 30, 2018	\$ 32,745
Redeemed in Year	(32,745)
Outstanding at September 30, 2019	\$ -0-

The following is a summary of debt transactions of the District for the year ended September 30, 2018:

	Note Payable
Outstanding at September 30, 2017	\$ 74,952
Redeemed in Year	(42,207)
Outstanding at September 30, 2018	\$ 32,745

<u>Note Payable:</u>	<u>2019</u>	<u>2018</u>
Note payable dated June 1, 2014, due in 60 equal monthly installments of \$3,697.27, final payment to be made June 1, 2019, including interest at 3.906%, collateralized by related equipment with a carrying value of \$403,924.	\$ -0-	\$ 32,745
Less current maturities	(-0-)	(32,745)
Note payable due in more than one year	\$ -0-	\$ -0-

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**Note 4 - Cash and Cash Equivalents**

At September 30, 2019 and 2018, the District had cash and cash equivalents (book balances) totaling \$1,602,127 and \$1,343,610, 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. The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk.

At September 30, 2019, the District had \$1,607,191 in deposits (collected bank balances). These deposits are secured from risk by \$483,938 of federal deposit insurance and \$1,230,865 of pledged securities held in a custodial bank in the District's name.

At September 30, 2018, the District had \$1,343,898 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$968,963 of pledged securities held in a custodial bank in the District's name.

**Note 5 - Investments**

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.

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**Note 6 - Parochial Employees Retirement System**

**Plan Description**

The Parochial Employees' Retirement System of Louisiana (System) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of any parish within the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The District is a participating member of Plan A.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Eligibility Requirements**

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

**Retirement Benefits**

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

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**Note 6 - Parochial Employees Retirement System (Continued)**

Any member of Plan B can retire providing he/she meets one of the following criteria:  
For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

**Survivor Benefits**

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

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**Note 6 - Parochial Employees Retirement System (Continued)**

**Deferred Retirement Option Plan**

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

**Disability Benefits**

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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**Note 6 - Parochial Employees Retirement System (Continued)**

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

**Cost of Living Increases**

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

**Employer Contributions**

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A and 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending September 30, 2019 was 11.50% for Plan A and 7.50% for Plan B. The actual rate for the fiscal year ending September 30, 2018 was 11.50% for Plan A and 7.50% for Plan B.

According to state statute, the System also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.



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**Note 6 - Parochial Employees Retirement System (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2019, the District reported a liability of \$194,480 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended September 30, 2019, the District recognized pension expense of \$64,639. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 11,848
Net difference between projected and actual earnings on pension plan investments	93,098	-
Changes in assumptions	48,626	-
Differences between District contributions and proportionate share of contributions	1,529	-
District contributions made subsequent to the measurement date	31,333	-
<b>Total</b>	<b>\$ 174,586</b>	<b>\$ 11,848</b>

The District's contributions during the year ended September 30, 2019, reported as deferred outflows of \$31,333 subsequent to the measurement date, will be recognized as reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2020	45,229
2021	24,875
2022	20,177
2023	41,124
<b>Total</b>	<b>131,405</b>

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**Note 6 - Parochial Employees Retirement System (Continued)**

**Actuarial Methods and Assumptions**

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability (asset) as of December 31, 2018 are as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50%, net of investment expense
Projected Salary Increases	Plan A - 4.75%, Plan B - 4.25%
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Inflation Rate	2.40%

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**Note 6 - Parochial Employees Retirement System (Continued)**

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

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**Note 6 - Parochial Employees Retirement System (Continued)**

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the District calculated using the discount rate of 6.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

<b>Changes in Discount Rate</b>			
	1%	Current Discount	1%
	Decrease	Rate	Increase
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$413,023	\$194,480	\$11,797

**Retirement System Audit Report**

The Parochial Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2018. Access to the report can be found on the Louisiana Legislative Auditor's website, [www.lla.la.gov](http://www.lla.la.gov).

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**Note 7 - Management 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.

**Note 8 - Prior Year Balances**

Certain prior year amounts may have been reclassified to conform to current year presentation.

**Note 9 – Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	50,480	-	-	50,480
Capital Assets Being Depreciated:				
Water Plant	4,725,260	38,060	-	4,763,320
Buildings	130,729	-	-	130,729
Office Furniture and Equipment	21,895	-	-	21,895
Meters and Equipment	844,997	6,644	-	851,641
Total Capital Assets Being Depreciated	5,722,881	44,704	-	5,767,585
Less Accumulated Depreciation	3,528,269	166,182	-	3,694,451
Total Capital Assets Being Depreciated, Net of Depreciation	2,194,612	(121,478)	-	2,073,134
Total Capital Assets, Net	\$ 2,245,092	\$ (121,478)	\$ -	\$ 2,123,614

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**Note 9 – Capital Assets (Continued)**

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	50,480	-	-	50,480
Capital Assets Being Depreciated:				
Water Plant	4,686,368	40,790	1,898	4,725,260
Buildings	130,727	2	-	130,729
Office Furniture and Equipment	17,956	8,735	4,796	21,895
Meters and Equipment	910,488	22,443	87,934	844,997
Total Capital Assets Being Depreciated	5,745,539	71,970	94,628	5,722,881
Less Accumulated Depreciation	3,445,902	170,161	(87,794)	3,528,269
Total Capital Assets Being Depreciated, Net of Depreciation	2,299,637	(98,191)	6,834	2,194,612
Total Capital Assets, Net	\$ 2,350,117	\$ (98,191)	\$ 6,834	\$ 2,245,092

**Note 10 - Perpetual Servitude**

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

**Note 11 – 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 was also contracted to a third party consultant as of January 1, 2018 with a measurement date of December 31, 2018. 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 2018 and 2019 with the inclusion of the appropriate second year adjustments.

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***Note 11 – Other Postemployment Benefits (OPEB) (Continued)***

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.

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.

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, 2018 actuarial valuation, with a measurement date of December 31, 2018, and inclusive of the measurement period of January 1, 2018 through December 31, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

***Note 11 – Other Postemployment Benefits (OPEB) (Continued)***

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	3.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 4.24%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.64%, and (c) Fidelity GA AA 20 Years - 3.83%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

**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**	\$25,039,864	\$25,039,864	\$14,351,285	\$39,391,149
Current Period Changes:				
Service Cost	382,305	382,305	237,542	619,847
Interest on Total OPEB Liability	960,849	960,849	551,702	1,512,551
Differences Between Expected and Actual Experience	-	-	-	-
Benefit Payments	(805,452)	(805,452)	(410,129)	(1,215,581)
Net Change in Total OPEB Liability	537,702	537,702	379,115	916,817
<b>Total OPEB Obligation at End of Year – Measurement Date</b>	<b>\$25,577,566</b>	<b>\$25,577,566</b>	<b>\$14,730,400</b>	<b>\$40,307,966</b>
** GASB 75 was implement in 2018 therefore the beginning total OPEB liability was restated as of the actuarial valuation date.				



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

***Note 11 – Other Postemployment Benefits (OPEB) (Continued)***

Sensitivity of the Total OPEB Liability to Changes in the Discount 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 a discount rate that is one percentage point lower (2.9%) or one percentage point higher (4.9%) than the current discount rate of 3.9%:

	1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
Total OPEB Liability Parish	\$50,638,773	\$40,307,966	\$33,051,835
Total OPEB Liability District	\$87,170	\$69,386	\$56,897

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 (8% to 7%) or one percentage point higher (8% to 9%) than the current healthcare cost trend rate of 3.9%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$32,000,087	\$40,307,966	\$52,072,513
Total OPEB Liability District	\$55,086	\$69,386	\$89,640

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2019, the District recognized OPEB expense of \$3,890. At December 31, 2018, the Parish did not report any deferred outflows of resources or deferred inflows of resources related to OPEB since this was the first year of implementation for GASB 75 and the valuation was inclusive of January 1, 2018 through December 31, 2018 activity.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

***Note 11 – Other Postemployment Benefits (OPEB) (Continued)***

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 September 30, 2018	\$ 65,496
Current Period Changes:	
Service Cost	2,394
Interest on Total OPEB Liability	2,534
Differences Between Expected and Actual	
Experience	-
Benefit Payments	(1,038)
Net Change in Total OPEB Liability	3,890
Net OPEB Obligation at September 30, 2019	\$ 69,386
District’s Proportionate Percentage of Total Parish OPEB Obligation	0.2%
Change in Total Parish OPEB Obligation Since the Prior Measurement Date	-%

***Note 12 -Prior Period Adjustment***

The District implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB 45. GASB 75 requires public employers to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statement of the employer. As a result of this implementation, the beginning net position previously reported at September 30, 2018, has been restated to reflect the net OPEB liability as of that measurement date. The beginning September 30, 2018 balance of net position was restated as follows:

Net position – beginning, as previously reported	\$ 3,336,421
Prior period adjustment – Implementation of GASB 75	(13,628)
Net position – beginning, as restated	\$ 3,322,793

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**Note 13 – Board of Commissioner’s Fees**

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

	2019	2018
Donna Gayle	\$ 1,200	\$ 1,000
Edwin Peterson	400	1,200
Stoney Martin	700	1,000
Ivan J. Tarou	1,300	1,200
Ted B. Chapman	1,400	1,200
Brock Peterson	800	-
Total	\$ 5,800	\$ 5,600

**Note 14 – Deferred Tax Payable**

During the 2005 and 2004 tax years, the District assessed millage in excess of the required amounts to repay general obligation bonds. This excess amount has not been recognized as income and is therefore deferred until the amounts are either refunded or offset against future tax assessments.

**Note 15 - Subsequent Events**

The District evaluated its September 30, 2019 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 No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated March 3, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control.

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

Board of Commissioners  
Waterworks District 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses Item 2019-001 that I consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Response to Finding**

The District's response to the finding identified in my audit is 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, I express no opinion on it.

### **Purpose of this Report**

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

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 3, 2020

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4  
OF CALCASIEU PARISH, LOUISIANA  
DeQuincy, Louisiana  
Schedule of Findings and Responses  
September 30, 2019**

**A. Summary of Independent Auditor's Results:**

1. Unmodified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2019-001
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

**2019-001 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.

**C. Summary of Prior Year Findings:**

**2018-001 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.

**2018-002 Reconciliation of Subsidiary Records –**

The detailed subsidiary record maintaining a listing of customer security deposits was not properly reconciled. Effective internal control requires interim reconciliation of subsidiary records to the financial statements. Management has implemented procedures to properly reconcile the customer deposit listing to the financial statements on an interim basis.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
OF CALCASIEU PARISH, LOUISIANA  
DeQuincy, Louisiana**

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

**Year Ended September 30, 2019**

**Agency Head: Ivan J. Tarou, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$ 1,300.00
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.**

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4  
OF CALCASIEU PARISH, LOUISIANA  
DeQuincy, Louisiana  
Parochial Employees' Retirement System of Louisiana  
Schedule of the District's Proportionate Share of the Net Pension Liability  
For The Year Ended September 30, 2019**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.038%	0.039%	0.041%	0.044%
District's proportionate share of the net pension liability (asset)	\$ 98,716	\$ 80,426	\$ (30,443)	\$ 194,480
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869	\$ 271,726
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.7%	31.92%	-11.28%	71.57%
Plan fiduciary net position as a percentage of the total pension liability	92.23%	94.15%	101.98%	88.86%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4  
OF CALCASIEU PARISH, LOUISIANA  
DeQuincy, Louisiana  
Parochial Employees' Retirement System of Louisiana  
Schedule of the District's Contributions  
For The Year Ended September 31, 2019**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097	\$ 31,333
Contributions in relation to the contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097	\$ 31,333
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869	\$ 271,726
Contributions as a percentage of covered-employee payroll	15.8%	13.2%	8.2%	11.5%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
OF CALCASIEU PARISH, LOUISIANA  
DeQuincy, Louisiana**

**Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Year Ended September 30, 2019<sup>(1)</sup>**

	<b>2019</b>
Total OPEB Liability	
Service Cost	\$ 2,394
Interest on Total OPEB Liability	2,534
Differences Between Expected and Actual Experience	-
Benefit Payments	(1,038)
Net Change in Total OPEB Liability	3,890
Total OPEB Liability at Beginning of Year	65,496
Total OPEB Obligation at End of Year	\$ 69,386
Covered Employee Payroll	\$ 260,000
Total OPEB Liability as a Percentage of Covered	26.69%

Notes to the Schedule:

- (1) This schedule is intended to report information for ten years. Data for the full ten year period is not available but will be reported as the additional years become available.
- (2) Changes of Benefit Terms: There were no changes in benefit terms for 2018 which is the first year of implementation for Governmental Accounting Standards Board Statement (GASB) No. 75.
- (3) Changes of Assumptions: There were no changes in benefit terms for 2018 which is the first year of implementation for GASB Statement No. 75.
- (4) There were no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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## **AGREED-UPON PROCEDURES REPORT**

### **WATERWORKS DISTRICT NO. 7 OF WARD 6 AND 4 OF CALCASIEU PARISH, LOUISIANA**

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

**FOR THE PERIOD OF OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019**

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Waterworks District No. 7 of Ward 6 and 4 of Calcasieu Parish, Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

## Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

- k) ***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.

***Finding: The District does not have any written policies concerning the above financial procedures.***

***Management Response: The District will develop the necessary policies and procedures to address the above financial and administrative areas. The District will put such policies in a written document and implement these policies and procedures.***

#### Board or Finance Committee

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

***There were no findings noted in the testing of "Board or Finance Committee" in prior years, therefore the above procedures are not applicable.***

## Bank Reconciliations

3. Obtain a listing of client 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 selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Finding: No preparation date was present on reconciliations to show that they were prepared within 2 months of the statement closing date.*

*Management's Response: The preparer of bank reconciliations will begin to initial and date each reconciliation as evidence of being done in a timely manner.*

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

*Management's Response: A Board member or member of management with no involvement in transactions associated with bank accounts will begin reviewing bank reconciliations.*

*Finding: Noted reconciling items outstanding more than 12 months without documentation reflecting that those items have been researched.*

*Management's Response: The District will begin documenting research related to reconciling items over 12 months old*

## Collections

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

- e) Trace the actual deposit per the bank statement to the general ledger.

***Finding: Due to the limited number of office personnel, persons who take in collections also make bank deposits, record the related transactions, and reconcile the related bank account.***

***Management's Response: The District does not consider it to be cost effective to hire the required personnel to segregate the functions listed above.***

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

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



10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***Finding: The person responsible for processing payments may also add vendors to the disbursement system.***

***Management's Response: The District does not consider it feasible to restrict the person responsible for processing payments from adding vendors. Management will begin to periodically review changes to vendor files.***

***Finding: The employee responsible for processing payments is allowed to mail payments.***

***Management's Response: The District does not consider it to be cost effective to hire the required personnel to segregate the functions listed above.***

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe 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).

***Observation: Statements are reviewed and paid by a person who is also a card holder.***

***Management's Response: Due to the limited size of the office staff it is not feasible to have a person review and pay the credit card who does not also hold a card. The District will begin having board members initial the statements as evidence of their review.***

#### Travel and Travel-Related Expense Reimbursements

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***There were no findings noted in the testing of "Travel and Travel-Related Expense Reimbursements" in prior years, therefore the above procedures are not applicable.***

## Contracts

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

***There were no findings noted in the testing of "Contracts" in prior years, therefore the above procedures are not applicable.***

## Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*There were no findings noted resulting from the application of these procedures.*

#### Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*There were no findings noted in the testing of "Ethics" in prior years, therefore the above procedures are not applicable.*

#### Debt Service

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

*There were no findings noted in the testing of "Debt Service" in prior years, therefore the above procedures are not applicable.*

Other

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

*There were no findings noted in the testing of "Other" in prior years, therefore the above procedures are not applicable.*

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is 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

March 3, 2020  
Lake Charles, Louisiana