

**WATERWORKS DISTRICT NO. 1
OF WARD 1 OF CALCASIEU
PARISH, LOUISIANA
Lake Charles, Louisiana**

**Annual Financial Report
June 30, 2020 and 2019**

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
LAKE CHARLES, LOUISIANA**

FINANCIAL STATEMENTS AT JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Waterworks District No. 1 of Ward 1
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's 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 respective financial position of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 made for the purpose of forming an opinion on the financial statements. The Schedules of Fixed Assets and Accumulated Depreciation, Schedule of Operating Expenses, Cash Balances, Schedule of Commissioners' Per Diem and the Schedule of Compensation, Benefits and Other Payments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Insurance in Force and Schedule of Rates have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 4, 2021 on my consideration of Waterworks District No. 1 of Ward 1 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 No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana

February 4, 2021

WATERWORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
Management's Discussion and Analysis
For the year ended June 30, 2020

Our discussion and analysis of Waterworks District No. 1 of Ward 1's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

As a result of this year's operations, assets exceeded liabilities by \$15,763,666 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$15,193,908. The net position increased by \$569,758.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$12,997,758 included in property and equipment, net of accumulated depreciation, net of long-term debt.
- (2) The balance of unrestricted net position consists of 2,765,908 which does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Total spending for all District activities was \$2,333,440 for the year, which is \$327,910 more than the previous year. Operating revenues for the year increased by \$118,074 and operating expenses increased \$327,910 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A); the Financial Section (basic financial statements); and Louisiana Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position than is presented in the financial statements.

The Comparative Statement of Net Position and the Comparative Statement of Revenues, Expenses and Change in Net Position (Activity) provide both long range and short-term information about the District's overall financial status. The Comparative Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net assets and how they have changed.

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net position increased by \$569,758 as a result of this year's operations.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations decreased by \$33,408 from the previous fiscal year. The balance in net position represents the accumulated results of all past year's operations.

NET ASSETS - The table below summarizes the Comparative Statement of Net Position

Condensed Statement of Net Position - TABLE 1

	2020	2019	2018
Current Assets	\$ 4,275,162	\$ 4,242,317	\$ 4,030,995
Capital Assets	12,997,758	12,394,592	12,254,258
Total Assets	17,272,920	16,636,909	16,285,253
Current Liabilities	128,896	83,043	764,249
Long term debt			
Outstanding	-	-	-
Other liabilities	1,380,358	1,359,958	1,345,920
Total liabilities	1,509,254	1,443,001	2,110,169
Invested in Capital Assets net of Debt	12,997,758	12,394,592	11,919,796
- Unrestricted	2,765,908	2,799,316	2,255,288
Total Net Position	<u>\$ 15,763,666</u>	<u>\$ 15,193,908</u>	<u>\$ 14,175,084</u>

CHANGES IN NET ASSETS - The table below summarizes the changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position
TABLE 2

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Income	3,600,926	\$ 3,482,852	\$3,138,171
Non-Operating Income	<u>38,801</u>	<u>229,421</u>	<u>181,067</u>
Total Revenue	3,639,727	3,712,273	3,319,238
Depreciation	736,529	687,919	661,580
Operating Expenses	2,333,440	1,996,495	1,981,411
Non-Operating Expenses	<u>-0-</u>	<u>9,035</u>	<u>22,122</u>
Total Expenses	<u>2,333,440</u>	<u>2,693,449</u>	<u>2,724,790</u>
Change in Net Position	<u>\$ 569,758</u>	<u>\$ 1,018,824</u>	<u>\$ 594,448</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The change in fiscal assets is disclosed in the notes to the financial statements. Significant capital additions were as follows:

- New Service Installations \$334,975
- Plant A and B repainting \$301,872

LONG-TERM DEBT

A summary of this debt is shown in the table below.

	2019	2018
Revenue Bonds	-0-	330,000

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, customers, and others with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Water Works District No. 1, Ward 1, Calcasieu Parish’s Superintendent, Gerald Hoffpauir, 265 Parish Road, Lake Charles, LA, phone number 337 855-7250.

**Comparative Statement of Net Position
At June 30, 2020 and 2019**

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and equivalent-unrestricted	\$ 2,583,267	\$ 2,543,897
Cash and equivalent-restricted	274,350	244,515
Investments unrestricted	949,091	934,091
Accounts receivable	337,231	355,289
Inventory-materials and supplies	131,223	164,525
Total Current Assets	<u>4,275,162</u>	<u>4,242,317</u>
Capital Assets		
Land	674,846	674,846
Construction in Progress	698,212	147,054
Depreciable assets	24,191,869	23,403,332
Less-Accumulated depreciation	(12,567,169)	(11,830,640)
Total Fixed Assets	<u>12,997,758</u>	<u>12,394,592</u>
Total Assets	<u>\$ 17,272,920</u>	<u>\$ 16,636,909</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 124,239	\$ 78,396
Payroll and sales taxes payable	4,657	4,647
Total Current Liabilities	<u>128,896</u>	<u>83,043</u>
Other Liabilities		
Customer deposits -- payable from restricted assets	274,350	253,950
Due to State of Louisiana/Act 319	1,106,008	1,106,008
Total Other Liabilities	<u>1,380,358</u>	<u>1,359,958</u>
Total Liabilities	1,509,254	1,443,001
Net Position		
Invested in capital assets, net of debt	12,997,758	12,394,592
Unrestricted	2,765,908	2,799,316
Total Net Position	<u>15,763,666</u>	<u>15,193,908</u>
Total Liabilities and Net Position	<u>\$ 17,272,920</u>	<u>\$ 16,636,909</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

EXHIBIT B

**Comparative Statements of Revenue, Expenses and
Changes in Net Position for the years ended
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Water Sales	\$ 3,238,521	\$ 3,099,594
Tapping, connection, and meter fees	362,405	383,258
Total Operating Revenue	<u>3,600,926</u>	<u>3,482,852</u>
Operating Expenses		
Production and distribution	1,418,200	1,103,563
General and administrative	915,240	892,932
Total Operating Expenses	<u>2,333,440</u>	<u>1,996,495</u>
Operating Revenue before depreciation	1,267,486	1,486,357
Depreciation	<u>736,529</u>	<u>687,919</u>
Net Operating Income after depreciation	530,957	798,438
Non-Operating Revenue		
Interest	18,017	4,847
Grant and other support	20,784	224,574
Total Non-Operating Revenue	<u>38,801</u>	<u>229,421</u>
Non-Operating Expenditures		
Interest	-	9,035
Total Non-Operating Expenditures	<u>-</u>	<u>9,035</u>
Non-Operating revenue (Expenditures)	<u>38,801</u>	<u>220,386</u>
Net Increase in Net Position	569,758	1,018,824
Net Position beginning of the year July 1,	<u>15,193,908</u>	<u>14,175,084</u>
Net Position end of year June 30,	<u>\$ 15,763,666</u>	<u>\$ 15,193,908</u>

**Waterworks District No. 1 of Ward 1,
Calcasieu Parish, Louisiana
Moss Bluff, Louisiana
Statements of Cash Flows
For The Years Ended June 30,**

EXHIBIT C

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 3,272,264	\$ 3,456,042
Payments to suppliers and other	(1,027,878)	(1,103,002)
Payments to employees, benefits and payroll taxes	(864,002)	(937,266)
Net Cash Provided (Used) by Operating Activities	<u>1,380,384</u>	<u>1,415,774</u>
Cash Flows From Non-capital Financing Activities:		
Net cash (used) provided by non-capital financing activities	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities:		
Purchase of LAMP investment	(15,000)	(203,618)
Interest income	18,017	4,847
Net Cash Provided (Used) by Investing Activities	<u>3,017</u>	<u>(198,771)</u>
Cash Flows From Capital and Related Financing Activities:		
Grant revenue	-	239,534
Capital expenditures for plant and equipment	(1,334,596)	(1,148,251)
Principal payments on bonds	-	(330,000)
Interest expense	-	(13,497)
Increase (decrease) in customer deposits	20,400	14,038
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,314,196)</u>	<u>(1,238,176)</u>
Net Increase (Decrease) in Cash	69,205	(21,173)
Cash and Cash Equivalents - Beginning of Year	<u>2,788,412</u>	<u>2,809,585</u>
Cash and Cash Equivalents - End of Year	<u><u>2,857,617</u></u>	<u><u>2,788,412</u></u>
Cash and Cash Equivalents:		
Cash - unrestricted	2,583,267	2,543,897
Cash - restricted	274,350	244,515
	<u><u>\$ 2,857,617</u></u>	<u><u>\$ 2,788,412</u></u>

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

**Waterworks District No. 1 of Ward 1,
Calcasieu Parish, Louisiana
Moss Bluff, Louisiana
Statements of Cash Flows (Continued)
For The Years Ended June 30,**

EXHIBIT C

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Net operating income after depreciation	\$ 530,957	\$ 798,438
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	736,529	687,919
Bad debts	15,685	14,797
Change in assets and liabilities:		
(Increase) decrease in receivables	18,058	(26,810)
(Increase) decrease in inventory	33,302	(17,878)
Increase (decrease) in accounts payable	45,843	(40,566)
Increase (decrease) in payroll and sales taxes payable	10	(126)
	<u>849,427</u>	<u>617,336</u>
Total Adjustments		
	<u>\$ 1,380,384</u>	<u>\$ 1,415,774</u>
Net Cash Provided (Used) by Operating Activities		

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

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 2020 AND 2019**

The **Water Works District No. 1, Ward 1 of Calcasieu Parish** is an independent district created by the Calcasieu Parish Police Jury in 1973 in accordance with section 3811 of the Louisiana Revised Statutes. The District's commissioners are appointed for five-year staggered terms by the Calcasieu Parish Police Jury and serve at the pleasure of the Police Jury. The District has authority, as stipulated in the applicable Louisiana Statutes to set such rates as necessary and to provide potable water within its boundaries. The District is a corporate entity that can purchase land, sue, and be sued. The Police Jury exercises no control over the finances, rates, or operation of the District as specified in the enabling statutes. The District is governed by its Board of Commissioners and the day-to-day operations are conducted by a Superintendent and staff who serve at the pleasure of the Board of Commissioners. Water District No. 1's boundaries encompass the entire Calcasieu Parish area. The services provided by Water District No. 1 include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The accounting and reporting policies of Water District No. 1 conform to generally accepted accounting policies applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Note 1

Summary of Significant Accounting Policies

Reporting Entity

The financial statements include all accounts of the Water District No. 1's operations. According to GASB 61 *The Financial Reporting Entity*, the Water District is considered a component unit of the Calcasieu Parish Police Jury for financial reporting purposes.

Method of Accounting

On July 1, 2002, the Water District No. 1 adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board - "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows.

Summary of Significant Accounting Policies (Continued)

For Water District No. 1, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial, and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of 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.

Funds

The District records, maintains and presents all its financial information and data using one fund. That fund is a proprietary fund as described above. The District presents its financial statements as a business type activity and there are no governmental type funds.

Deposits and Investments

Water District No. 1's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1

Summary of Significant Accounting Policies (Continued)

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments are reported at fair value. The District's current investments consist of certificates of deposits.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories and Prepaid Items

Materials and supplies inventory are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Water District No. 1 maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Note 1

Summary of Significant Accounting Policies (Continued)

Infrastructure fixed assets (water lines and systems) that are immovable and of value are reported in accordance with the Water District No. 1's policies. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not considered material and is not included as part of the capitalized value of assets constructed.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7-44 years
Transmission and Distribution System	3-44 years
Distribution and Maintenance	5-10 years
Administration and Office Buildings	25-30 years
Furniture and Equipment	3-8 years
Transportation Equipment	3 years

Compensated Absences

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees to fulfill personal obligations and other responsibilities. The district does not have a policy for employees to accrue any compensated absences.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to three weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

*Summary of Significant Accounting Policies (Continued)*Restricted Net Assets

On July 1, 2002, the Water District adopted the provisions of GASB Statement No. 34. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, statement of activities and changes in net assets and a statement of cash flows. It requires classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital asset, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets' component as proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - The component of net asset consist of net assets that do not meet definition of "restricted" or "invested in capital assets, net of related debt."

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

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

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas: building and contents, boiler and machinery, general liability, commercial automobile, directors and officers liability coverage, excess directors and officer's liability, public official bonding, public employees' blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area.

Note 2 **Stewardship, Compliance and Accountability**

Budget Information

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and; accordingly, no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget.

Note 3 **Deposits with Financial Institutions and Investments**

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. On June 30, 2020 and 2019, the carrying amounts of deposits were \$2,857,617 and \$2,787,612 and the bank balances were \$2,885,726 and \$2,897,468, respectively.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time 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. On June 30, 2020, the District had bank balances of \$2,885,726 in demand deposits. These deposits are secured from risk by \$554,619 in FDIC insurance and \$2,838,888 in pledged securities held in a custodial bank in the District's name.

Deposits with Financial Institutions and Investments (continued)

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$949,091 as of June 30, 2020 and \$934,091 as of June 30, 2019.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

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

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

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

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

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 43 days as of December 31, 2019. The District does not have interest rate risk policies for investments.

Note 3 **Deposits with Financial Institutions and Investments (continued)**

Foreign currency risk: Not applicable.

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

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

Note 4 **Bonds Payable**

Changes in Long-Term Debt—The following is a summary of bond transactions of the Water Works District No. 1:

	<u>Revenue Bonds Payable</u>
Bonds Payable June 30, 2018	\$ 330,000
Bonds Issued	
Bonds Retired and Defeased	<u>(330,000)</u>
Bonds Payable June 30, 2019	<u>\$ -0-</u>

\$2,000,000 Water Revenue Bonds, Series B; dated December 9, 2009; Due in annual installments including interest at 4.09% of \$285,900 to \$336,749 through the year 2019.

Note 5 **Summary of the Changes in Fixed Assets**

Capital Asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 6-30-19	Increases	Decreases	Balance 6-30-20
Land	\$ 674,846	\$ --	--	\$ 674,846
Building	1,470,516	--	--	1,470,516
Water System	21,107,791	662,596	--	21,770,387
Furniture	92,066	--	--	92,066
Vehicles	276,481	114,269	--	390,750
Equipment	456,478	11,672	--	468,150
Total	\$ 24,078,178	\$ 788,537	--	\$ 24,866,715

Capital Asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 6-30-18	Increases	Decreases	Balance 6-30-19
Land	\$ 674,846	\$ --	--	\$ 674,846
Building	1,470,516	--	--	1,470,516
Water System	19,593,489	1,514,302	--	21,107,791
Furniture	92,066	--	--	92,066
Vehicles	236,631	39,850	--	276,481
Equipment	405,175	51,303	--	456,478
Total	\$ 22,472,723	\$ 1,605,454	--	\$ 24,078,178

Note 6 **Contract Commitments**

At June 30, 2020, the District had two major construction contracts in progress:

Description	Project Cost as of June 30, 2019	Estimated Total Project Cost	Estimated Completion Date
Well No. 8 rehab	524,364	72,071	Fiscal year 2021
Indian Bayou Subdivision line upgrade	173,848	97,297	Fiscal year 2021

Note 7 **Pension Plan**

The Water Works District No. 1, Ward 1, 403(b) plan matches the employees' contributions (up to 10% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$57,901 in fiscal year 2020 and \$59,149 in fiscal year 2019, as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

Note 8 **Due to State of Louisiana/Act 319**

This liability represents funds advanced to the District for the relocation of water lines due to highway expansion or relocation. This loan is non-interest bearing and is for an indefinite period of time. Traditionally, the State of Louisiana has made these loans and the governmental body is not expected to re-pay these loans. The

Louisiana Department of Transportation (DOT) will not permit the District to locate any of its lines on state property until the debt is repaid. This restriction can be waived by the DOT and does when the health or welfare of the District's customers is affected.

Note 9 **Restricted Cash**

Restricted cash include monies restricted for refundable customer deposits.

Note 10 **Subsequent Events**

The District evaluated its June 30, 2020 financial statements for the 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.

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 1

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2020**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2019</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2020</u>	<u>Balance 6/30/2019</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2020</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,470,516	-	-	1,470,516	447,504	39,362	-	486,866
Distribution System	9,859,080	360,724	-	10,219,804	4,637,411	216,385	-	4,853,796
Water Wells	454,404	-	-	454,404	375,589	12,839	-	388,428
Water Plant	7,631,182	301,872	-	7,933,054	4,112,786	304,966	-	4,417,752
Water Tank	3,163,125	-	-	3,163,125	1,601,505	113,495	-	1,715,000
Office Furniture	92,066	-	-	92,066	75,226	1,151	-	76,377
Vehicles	276,481	114,269	-	390,750	252,294	34,757	-	287,051
Equipment	456,478	11,672	-	468,150	328,325	13,574	-	341,899
Total	<u>\$ 24,078,178</u>	<u>\$ 788,537</u>	<u>\$ -</u>	<u>\$ 24,866,715</u>	<u>\$ 11,830,640</u>	<u>\$ 736,529</u>	<u>\$ -</u>	<u>\$ 12,567,169</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 1A

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2019**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2018</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2019</u>	<u>Balance 6/30/2018</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2019</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,470,516	-	-	1,470,516	407,837	39,667	-	447,504
Distribution System	9,156,789	702,291	-	9,859,080	4,449,126	195,185	6,900	4,637,411
Water Wells	406,742	47,662	-	454,404	375,589	3,894	3,894	375,589
Water Plant	6,866,834	764,348	-	7,631,182	3,838,258	274,528	-	4,112,786
Water Tank	3,163,125	-	-	3,163,125	1,488,010	113,495	-	1,601,505
Office Furniture	92,066	-	-	92,066	71,978	3,248	-	75,226
Vehicles	236,631	39,850	-	276,481	222,420	44,582	14,708	252,294
Equipment	405,175	51,303	-	456,478	311,111	13,320	(3,894)	328,325
Total	\$ 22,472,724	\$ 1,605,454	\$ -	\$ 24,078,178	\$ 11,164,329	\$ 687,919	\$ 21,608	\$ 11,830,640

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 2

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Production and Distribution:		
Personal Services	\$ 317,932	\$ 327,704
Repair & Maintenance:		
Equipment	28,555	21,578
Wells, plant & power	431,091	249,265
Taps & Lines	194,796	112,648
Power	139,185	128,780
Chemical	161,434	125,343
Truck	43,855	61,679
Supplies	4,344	4,746
Administrative fee to state for safe drinking water	97,008	71,820
Total production & distribution expenses	<u>1,418,200</u>	<u>1,103,563</u>
General and Administrative:		
Personal service-office	260,445	244,663
Personal service-meter reading	93,013	90,638
Insurance	93,460	126,950
Office operations	18,836	9,459
Computer maintenance and software	7,598	6,423
Payroll taxes	55,612	53,190
Communications	13,708	14,036
Legal and professional	24,750	29,728
Utilities	13,130	12,024
Postage	35,332	34,789
Meeting expenses and per diem	12,226	11,350
Billing and collection	13,418	13,329
Miscellaneous	2,476	565
Employees benefits	246,945	221,197
Janitorial	4,080	4,239
Conferences, workshops & certificates	4,526	5,555
Bad Debt	15,685	14,797
Total general & administrative expenses	<u>\$ 915,240</u>	<u>\$ 892,932</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 3

CASH BALANCES AT JUNE 30, 2020

Detail of Cash Accounts:

Name of Bank	General Ledger	Bank Cash Balance
A. Jeff Davis Bank	\$ 18,617	\$ 18,623
B. Cash on Hand	800	-
C. Chase Bank	1,668,031	1,668,031
D. Chase Bank	1,179,442	1,163,076
E. Capital One Customer Deposits	(9,273)	35,996
Total	<u>\$ 2,857,617</u>	<u>\$ 2,885,726</u>

Division of Cash

Restricted:

A. Reserve for customer deposits	\$ 274,350
Total Restricted Cash	<u>274,350</u>

Unrestricted Cash

Total Restricted and Unrestricted Cash	<u>\$ 2,857,617</u>
--	---------------------

Pledged collateral and FDIC

<u>Bank</u>	<u>Total</u>	<u>FDIC</u>	<u>Collateral</u>	<u>(Over)/Short</u>
Capital One	\$ 35,996	\$ 35,996	\$ -	\$ -
Chase	2,831,107	500,000	2,838,888	(507,781)
Jeff Davis	18,623	18,623	-	-

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 4

**SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

Commissioners:	Expiration of term	2020		2019	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
Rev. Joseph Thomas		\$ -	-	\$ 1,400	14
Joshua Thomas	Sept. 2022	2,200	22	100	1
Donna DeBarge	Sept. 2022	2,400	24	2,400	24
Tim Aguiard	Sept. 2021	2,200	22	2,000	20
Earl O'Quinn III	Sept. 2020	2,300	23	2,400	24
Glen Franklin	Sept. 2019	<u>2,400</u>	<u>24</u>	<u>2,300</u>	<u>23</u>
Total Per Diem		<u>\$ 11,500</u>	<u>115</u>	<u>\$ 10,600</u>	<u>106</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 5

**SCHEDULE OF INSURANCE IN FORCE
June 30, 2020**

Fire, Lightning and Extended Coverage:

Combined Limit:

Buildings and contents \$ 6,661,466

Comprehensive General and Automobile Liability:

Bodily Injury:

Each person 1,000,000
Aggregate 3,000,000
Each accident 1,000,000
Uninsured Motorist 500,000
Underinsured Motorist 500,000

Standard Workman's Compensation:
(Limits to \$100,000)

1,000,000

General Liability and Property Damage:

1,000,000

Crime Coverage

Per occurrence 100,000

Public Officials Liability

1,000,000

Pollution (Limited) Coverage

Each Occurrence 1,000,000
Aggregate \$ 3,000,000

**WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA
June 30, 2020
SCHEDULE OF RATES**

SCHEDULE 6

A. Water Rate Classification and Schedule:

1. Class I - Residential - One (1) user on Owner's property	
Minimum for 0 to 2,000 gallons	\$17.50
Per 1,000 gallons thereafter	\$3.03
2. Class II - Commercial and Industrial	
Minimum for 0 to 3,000 gallons	\$26.00
Per 1,000 gallons thereafter	\$3.03
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$18.50
Per 1,000 gallons thereafter	\$3.03

B. Deposits and Service Charges (Revised)

1. Deposits	
Residential	\$30.00
Residential (renter)	\$75.00
Commercial	\$75.00
Fire Hydrant Set Up	\$20.00
Industrial (to be determined by Waterworks No. 1)	-0-
2. Service Charges	
Turn on or transfer	\$15.00
After 4:30 p.m. or on weekends	\$30.00
Name change only	\$0.00
Collection charge	\$15.00
NSF Checks	\$20.00
Fire Hydrant Meter Rental (Per day) plus usage	\$30.00
Tapping Fee (5/8" X 3/4")	\$1,050.00
(1")	\$1,400.00
All other sizes (Cost of labor & materials)	

C. The System shall be operated on a fully metered basis.

D. No free service will be allowed.

E. No dual connection will be allowed (more than one user on a single meter) other than specified in classifications.

WATERWORKS DISTRICT 1 OF WARD 1 OF CALCASIEU PARISH, LOUISIANA

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

Year Ended June 30, 2020

Agency Head: Earl O'Quinn III, Board President

Purpose	Amount
Commissioner Fees	\$2,300
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

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Member Louisiana Society of
Certified Public Accountants

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

Board of Commissioners
Waterworks District No. 1 of Ward 1
of Calcasieu Parish, Louisiana
Lake Charles, 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. 1 of Ward 1 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated February 4, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 1 of Ward 1 of 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.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
Waterworks District No. 1 of Ward 1
of Calcasieu Parish, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of Ward 1 of 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*.

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
February 4, 2021

**WATERWORKS DISTRICT NO. 1 OF WARD 1
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
June 30, 2020**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies and material weaknesses in internal control – none reported.
3. Noncompliance material to the financial statements – none reported.

B. GAGAS Finding:

None reported.

C. Prior Year Findings:

None reported.