

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

**Annual Financial Report
June 30, 2023 and 2022**

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

FINANCIAL STATEMENTS AT JUNE 30, 2023 AND 2022

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the accounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements. The Schedules of Fixed Assets and Accumulated Depreciation, Schedule of Operating Expenses, Cash Balances, Schedule of Commissioner's Per Diem and Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023 on our consideration of the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 23, 2023

WATERWORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
Management's Discussion and Analysis
For the year ended June 30, 2023

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, 2023. 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 \$17,804,606 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$17,435,012. The net position increased by \$369,594.

Total net position is comprised of the following:

(1) Capital assets, net of related debt, of \$13,915,970 included in property and equipment, net of accumulated depreciation, net of long-term debt.

(2) The balance of unrestricted net position consists of \$3,888,636 which does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Total spending for all District activities was \$2,632,872 for the year, which is \$381,156 less than the previous year. Operating revenues for the year increased by \$15,275 and operating expenses decreased \$385,016 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 \$369,594 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 \$48,072 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

	2023	2022	2021
Current Assets	\$ 5,346,975	\$ 5,402,261	\$ 4,680,492
Capital Assets	13,915,970	13,498,304	13,425,992
Total Assets	19,262,945	18,900,565	18,106,484
Current Liabilities	58,831	85,819	241,216
Long term debt Outstanding	-		
Other liabilities	1,399,508	1,379,734	1,379,768
Total liabilities	1,458,339	1,465,553	1,620,984
Invested in Capital Assets net of Debt	13,915,970	13,498,304	13,425,992
Unrestricted	3,888,636	3,936,708	3,059,508
Total Net Position	<u>\$ 17,804,606</u>	<u>\$ 17,435,012</u>	<u>\$ 16,485,500</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>2023</u>	<u>2022</u>	<u>2021</u>
Operating Income	\$ 3,824,315	\$ 3,809,040	\$ 3,538,653
Non-Operating Income	<u>12,799</u>	<u>245,713</u>	<u>669,578</u>
Total Revenue	3,837,114	4,054,753	4,208,231
Depreciation	808,279	784,618	772,134
Operating Expenses	2,632,872	2,247,856	2,347,941
Non-Operating Expenses	<u>26,369</u>	<u>72,767</u>	<u>366,322</u>
Total Expenses	<u>3,467,520</u>	<u>3,105,241</u>	<u>3,486,397</u>
Change in Net Position	<u>\$ 369,594</u>	<u>\$ 949,512</u>	<u>\$ 721,834</u>

CAPITAL ASSET ADMINISTRATION

CAPITAL ASSETS

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

- Meter Installations and Replacements - \$567,175
- Waterline overlay project \$848,905

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.

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

EXHIBIT A

**Comparative Statement of Net Position
At June 30, 2023 and 2022**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and equivalent-unrestricted	\$ 4,555,783	\$ 4,563,026
Cash and equivalent-restricted	293,500	273,726
Accounts receivable	339,866	420,883
Inventory-materials and supplies	157,826	144,626
Total Current Assets	<u>5,346,975</u>	<u>5,402,261</u>
Capital Assets		
Land	674,846	674,846
Construction in Progress	90,353	732,980
Depreciable assets	27,150,988	25,282,416
Less-Accumulated depreciation	(14,000,217)	(13,191,938)
Total Fixed Assets	<u>13,915,970</u>	<u>13,498,304</u>
Total Assets	<u>\$ 19,262,945</u>	<u>\$ 18,900,565</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 44,915	\$ 81,326
Payroll and sales taxes payable	13,916	4,493
Total Current Liabilities	<u>58,831</u>	<u>85,819</u>
Other Liabilities		
Customer deposits -- payable from restricted assets	293,500	273,726
Due to State of Louisiana/Act 319	1,106,008	1,106,008
Total Other Liabilities	<u>1,399,508</u>	<u>1,379,734</u>
Total Liabilities	1,458,339	1,465,553
Net Position		
Invested in capital assets, net of debt	13,915,970	13,498,304
Unrestricted	3,888,636	3,936,708
Total Net Position	<u>17,804,606</u>	<u>17,435,012</u>
Total Liabilities and Net Position	<u>\$ 19,262,945</u>	<u>\$ 18,900,565</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Water Sales	\$ 3,615,261	\$ 3,538,333
Tapping, connection, and meter fees	209,054	270,707
Total Operating Revenue	<u>3,824,315</u>	<u>3,809,040</u>
Operating Expenses		
Production and distribution	1,490,184	1,201,297
General and administrative	1,142,688	1,046,559
Total Operating Expenses	<u>2,632,872</u>	<u>2,247,856</u>
Operating Revenue before depreciation	1,191,443	1,561,184
Depreciation	<u>808,279</u>	<u>784,618</u>
Net Operating Income after depreciation	383,164	776,566
Non-Operating Revenue		
Interest	439	22
Grant and other support	12,360	245,691
Total Non-Operating Revenue	<u>12,799</u>	<u>245,713</u>
Non-Operating Expenditures		
Hurricane damage repairs and expenses	26,369	72,767
Total Non-Operating Expenditures	<u>26,369</u>	<u>72,767</u>
Non-Operating revenue (Expenditures)	<u>(13,570)</u>	<u>172,946</u>
Net Increase in Net Position	369,594	949,512
Net Position beginning of the year July 1,	<u>17,435,012</u>	<u>16,485,500</u>
Net Position end of year June 30,	<u>\$ 17,804,606</u>	<u>\$ 17,435,012</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>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 3,905,332	\$ 3,458,081
Payments to suppliers and other	(1,530,282)	(1,038,413)
Payments to employees, benefits and payroll taxes	(1,119,173)	(1,083,930)
Net Cash Provided (Used) by Operating Activities	<u>1,255,877</u>	<u>1,335,738</u>
Cash Flows From Investing Activities:		
Interest income	439	22
Net Cash Provided (Used) by Investing Activities	<u>439</u>	<u>22</u>
Cash Flows From Capital and Related Financing Activities:		
Grant revenue and other revenues	12,360	245,691
Capital expenditures for plant and equipment	(1,302,288)	(875,692)
Expenditures for hurricane repairs	26,369	(72,767)
Increase (decrease) in customer deposits	19,774	(34)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,243,785)</u>	<u>(702,802)</u>
Net Increase (Decrease) in Cash	12,531	632,958
Cash and Cash Equivalents - Beginning of Year	<u>4,836,752</u>	<u>4,203,794</u>
Cash and Cash Equivalents - End of Year	<u><u>4,849,283</u></u>	<u><u>4,836,752</u></u>
Cash and Cash Equivalents:		
Cash - unrestricted	4,555,783	4,563,026
Cash - restricted	293,500	273,726
	<u><u>\$ 4,849,283</u></u>	<u><u>\$ 4,836,752</u></u>

**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>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Net operating income after depreciation	\$ 383,164	\$ 776,566
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	808,279	784,618
Bad debts	23,015	18,762
Change in assets and liabilities:		
(Increase) decrease in receivables	81,017	(80,252)
(Increase) decrease in inventory	(13,200)	(8,559)
Increase (decrease) in accounts payable	(36,411)	(156,151)
Increase (decrease) in payroll and sales taxes payable	9,423	754
	<u>872,123</u>	<u>559,172</u>
Total Adjustments		
	<u>\$ 1,255,287</u>	<u>\$ 1,335,738</u>
Net Cash Provided (Used) by Operating Activities		

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

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 2023 AND 2022**

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.

Note 1

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.

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.

Note 1

Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1

Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Note 1

Summary of Significant Accounting Policies (Continued)

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.

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas: building and contents, 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.

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, 2023 and 2022, the carrying amounts of deposits were \$4,849,283 and \$4,836,752 and the bank balances were \$4,949,501 and \$4,893,568, 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, 2023, the District had bank balances of \$4,949,501 in demand deposits. These deposits are secured from risk by \$341,682 in FDIC insurance and \$5,447,000 in pledged securities held in a custodial bank in the District's name.

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 \$-0- as of June 30, 2023.

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.

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

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP’s total investments is 53 days as of June 30, 2023. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

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

At June 30, 2023, the District had four major construction contracts in progress:

Description	Project Cost as of June 30, 2023		Estimated Completion Dates
Various	90,353		June 2024

Note 5 **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 \$73,629 in fiscal year 2023 and \$64,613 in fiscal year 2022, 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 6 **Restricted Cash**

Restricted cash include monies restricted for refundable customer deposits.

Note 7 **Summary of the Changes in Fixed Assets**

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

	Balance 6-30-22	Increases	Decreases	Balance 6-30-23
Land	\$ 674,846	\$ --	\$ --	\$ 674,846
Building	1,470,516	--	--	1,470,516
Water System	22,820,232	1,737,099	--	24,557,331
Furniture	95,066	--	--	95,066
Vehicles	425,617	--	--	425,617
Equipment	470,985	131,473	--	602,458
Total	\$ 25,957,262	\$ 1,868,572	\$ --	\$ 27,825,834

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

	Balance 6-30-21	Increases	Decreases	Balance 6-30-22
Land	\$ 674,846	\$ --	\$ --	\$ 674,846
Building	1,470,516	--	--	1,470,516
Water System	22,289,331	530,901	--	22,820,232
Furniture	95,066	--	--	95,066
Vehicles	396,622	28,995	--	425,617
Equipment	464,210	6,775	--	470,985
Total	\$ 25,390,591	\$ 566,671	\$ --	\$ 25,957,262

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

Subsequent Events

The District evaluated its June 30, 2023 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, 2023**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2022</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2023</u>	<u>Balance 6/30/2022</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2023</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,470,516	-	-	1,470,516	565,390	39,262	-	604,652
Distribution System	10,643,375	1,416,080	-	12,059,455	4,526,962	256,934	-	4,783,896
Water Wells	1,080,677	-	-	1,080,677	413,356	-	-	413,356
Water Plant	7,933,054	55,304	-	7,988,358	5,038,855	305,620	-	5,344,475
Water Tank	3,163,125	265,715	-	3,428,840	1,941,990	113,385	-	2,055,375
Office Furniture	95,066	-	-	95,066	82,910	-	-	82,910
Vehicles	425,618	-	-	425,618	319,199	51,991	-	371,190
Equipment	470,985	131,473	-	602,458	303,276	41,087	-	344,363
Total	<u>\$ 25,957,262</u>	<u>\$ 1,868,572</u>	<u>\$ -</u>	<u>\$ 27,825,834</u>	<u>\$ 13,191,938</u>	<u>\$ 808,279</u>	<u>\$ -</u>	<u>\$ 14,000,217</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, 2022**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2021</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2022</u>	<u>Balance 6/30/2021</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2022</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,470,516	-	-	1,470,516	526,128	39,262	-	565,390
Distribution System	10,112,474	530,901	-	10,643,375	4,291,479	235,483	-	4,526,962
Water Wells	1,080,677	-	-	1,080,677	400,735	12,621	-	413,356
Water Plant	7,933,054	-	-	7,933,054	4,731,723	307,132	-	5,038,855
Water Tank	3,163,125	-	-	3,163,125	1,828,495	113,495	-	1,941,990
Office Furniture	95,066	-	-	95,066	79,692	3,218	-	82,910
Vehicles	396,623	28,995	-	425,618	264,719	54,480	-	319,199
Equipment	464,210	6,775	-	470,985	284,349	18,927	-	303,276
Total	<u>\$ 25,390,591</u>	<u>\$ 566,671</u>	<u>\$ -</u>	<u>\$ 25,957,262</u>	<u>\$ 12,407,320</u>	<u>\$ 784,618</u>	<u>\$ -</u>	<u>\$ 13,191,938</u>

**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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Production and Distribution:		
Personal Services	\$ 448,885	\$ 391,500
Repair & Maintenance:		
Equipment	28,997	18,790
Wells, plant & power	242,623	240,352
Taps & Lines	221,015	133,613
Power	191,179	152,691
Chemical	193,763	115,588
Truck	60,150	47,788
Supplies	3,962	2,108
Administrative fee to state for safe drinking water	99,610	98,867
Total production & distribution expenses	<u>1,490,184</u>	<u>1,201,297</u>
General and Administrative:		
Personal service-office	304,904	280,758
Personal service-meter reading	105,094	101,352
Insurance	189,821	164,952
Office operations	22,649	17,555
Computer maintenance and software	7,837	6,691
Payroll taxes	69,092	62,790
Communications	17,518	18,155
Legal and professional	29,618	24,875
Utilities	12,992	14,090
Postage	48,886	52,487
Meeting expenses and per diem	11,834	11,449
Billing and collection	12,446	13,990
Miscellaneous	1,847	2,692
Employees benefits	275,139	246,776
Janitorial	4,760	3,740
Conferences, workshops & certificates	5,236	5,445
Bad Debt	23,015	18,762
Total general & administrative expenses	<u>\$ 1,142,688</u>	<u>\$ 1,046,559</u>

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

SCHEDULE 3

CASH BALANCES AT JUNE 30, 2023

Detail of Cash Accounts:

Name of Bank	General Ledger	Bank Cash Balance
A. Jeff Davis Bank	\$ 42,766	\$ 53,673
B. Cash on Hand	800	-
C. Chase Bank	141	141
D. Chase Bank	4,812,003	4,848,360
E. Capital One Customer Deposits	(8,871)	38,009
F. Chase Customer Deposits	2,444	9,318
Total	<u>\$ 4,849,283</u>	<u>\$ 4,949,501</u>

Division of Cash

Restricted:

A. Reserve for customer deposits	\$ 293,500
Total Restricted Cash	<u>293,500</u>

Unrestricted Cash

Total Restricted and Unrestricted Cash	<u>\$ 4,849,283</u>
--	---------------------

Pledged collateral and FDIC

<u>Bank</u>	<u>Total</u>	<u>FDIC</u>	<u>Collateral</u>	<u>(Over)/Short</u>
Capital One	\$ 38,009	\$ 38,009	\$ -	\$ -
Chase	4,857,819	250,000	5,447,000	(839,181)
Jeff Davis	53,673	53,673	-	-

**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, 2023 AND 2022**

Commissioners:	Expiration of term	2023		2022	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
Joshua Thomas	Sept. 2022	\$ 2,000	20	\$ 2,000	20
Donna DeBarge	Sept. 2022	2,300	23	2,300	23
Tim Aguiard	Sept. 2025	2,100	21	2,200	22
Earl O'Quinn III	Sept. 2025	2,200	22	2,100	21
Glen Franklin	Sept. 2024	<u>2,200</u>	<u>22</u>	<u>2,100</u>	<u>21</u>
Total Per Diem		<u>\$ 10,800</u>	<u>108</u>	<u>\$ 10,700</u>	<u>107</u>

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

SCHEDULE 5

**SCHEDULE OF INSURANCE IN FORCE
June 30, 2023**

Fire, Lightning and Extended Coverage:

Combined Limit:

Buildings and contents \$ 7,468,549

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, 2023
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	\$18.50
Per 1,000 gallons thereafter	\$3.40
2. Class II - Commercial and Industrial	
Minimum for 0 to 3,000 gallons	\$27.00
Per 1,000 gallons thereafter	\$3.40
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$19.50
Per 1,000 gallons thereafter	\$3.40

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")	\$1,400.00
(1")	\$2,000.00
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, 2023

Agency Head: Glen Franklin, Board President

Purpose	Amount
Commissioner Fees	\$2,200
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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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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements, and have issued our report thereon dated August 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 23, 2023

**WATERWORKS DISTRICT NO. 1 OF WARD 1
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
June 30, 2023**

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.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

1) Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:¹
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase

requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

- c) ***Disbursements***, including processing, reviewing, and approving.
- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- i) ***Ethics²***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

- l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were found as a result of these procedures.

2) 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
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds³, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds⁴ if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.⁵

No exceptions were found as a result of these procedures.

3) Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and

randomly select 4 additional accounts⁶ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

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

No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites⁷ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations⁸ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is

(are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.⁹
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt¹⁰ at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of these procedures.

5) *Non-Payroll Disbursements (excluding card purchases, 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 procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

- ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
10. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions were found as a result of these procedures.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the

names of the persons who maintained possession of the cards¹¹. Obtain management's representation that the listing is complete.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection)¹². For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

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

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 and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding: A travel reimbursement for employee was not approved by someone other than the person receiving reimbursement.

Management Response: The District will implement policy to have reimbursement approved by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law¹³ (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials¹⁴ employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees

- or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials¹⁵ documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of these procedures.

E. Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
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No exceptions were found as a result of these procedures.

10) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were found as a result of these procedures.

11) Fraud Notice

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

Finding: Fraud notice posted on website but not on premises.

Management Response: The District will post required fraud notice on premises.

12) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures:
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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

13) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

No exceptions were found as a result of these procedures.

We were engaged by Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 23, 2023