

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

**Financial Statements
April 30, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of April 30, 2019 and 2018, 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 opinion.

Opinions

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

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 12, 2019 on my consideration of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Other Information

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

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
August 12, 2019

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2019**

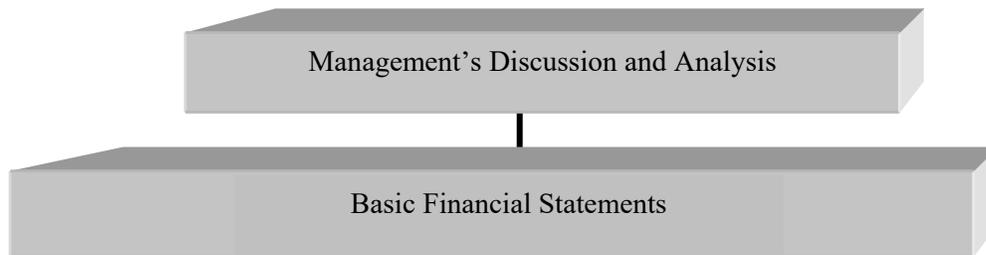
The Management’s Discussion and Analysis of the Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended April 30, 2019. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2019 by \$1,977,939 which represents a .7% decrease from last fiscal year. Of this amount, \$614,829 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue decreased \$22,546 (or 3.1%) and the net results from operations decreased by \$16,765 (or 101%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2019**

Basic Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY

	2019	2018	2017
Current and other assets	\$1,001,752	\$ 1,063,045	\$ 1,063,440
Capital assets	2,773,671	2,752,886	2,799,939
Total assets	3,775,423	3,815,931	3,863,379
Other liabilities	193,343	158,448	144,619
Long-term debt outstanding	1,590,000	1,665,000	1,740,000
Total liabilities	1,783,343	1,823,448	1,884,619
Net position:			
Net investment in capital assets	1,183,671	1,088,272	1,060,325
Amounts restricted for debt service	179,439	174,707	168,673
Unrestricted amounts	614,829	729,504	749,762
Total net position	\$1,977,939	\$ 1,992,483	\$ 1,978,760

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

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2019**

The net position of the District decreased by \$16,765, from April 30, 2018 to April 30, 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$715,048	\$ 737,594	\$ 718,704
Operating expenses	<u>(715,238)</u>	<u>(721,019)</u>	<u>(669,732)</u>
Operating income (loss)	<u>(190)</u>	<u>16,575</u>	<u>48,972</u>
Non-operating revenues (expenses)	<u>(14,354)</u>	<u>(2,852)</u>	<u>(26,061)</u>
Net increase (decrease) in net position	<u><u>\$(14,544)</u></u>	<u><u>\$ 13,723</u></u>	<u><u>\$ 22,911</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of April 30, 2019, the District had \$2,773,671, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net increase (including additions and deductions) of \$20,785, from last year.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and Right of Ways	\$ 26,8567	\$ 26,857	\$ 26,857
Plant and Distribution System	4,537,858	4,411,784	4,328,354
Furniture, Fixtures, and Equipment	270,290	292,432	306,276
Less Accumulated Depreciation	<u>(2,092,790)</u>	<u>(1,978,187)</u>	<u>(1,861,548)</u>
Totals	<u><u>\$ 2,773,671</u></u>	<u><u>\$ 2,752,886</u></u>	<u><u>\$ 2,799,939</u></u>

This year's major capital addition included above was:

- Storage Tank Improvements \$ 46,090
- Distribution line upgrades \$ 53,703

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2019**

Debt

The District issued \$2,000,000 of Water Revenue Bonds, Series 2012, during the fiscal year ending April 30, 2013. The bonds were dated August 1, 2012. These bonds were issued for the purpose of funding the plant expansion project. The outstanding balance on these bonds is \$1,590,000, \$1,665,000 and \$1,740,000 at April 30, 2019, 2018 and 2017, respectively.

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

CONTACTING THE DISTRICT'S MANAGEMENT

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

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

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 510,910	\$ 580,038
Restricted assets:		
Cash restricted for construction	-	386
Cash restricted for debt service	270,342	261,125
Cash restricted for meter deposits	105,645	102,975
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2019 & 2018	100,714	104,380
Prepaid insurance	-	14,141
Total Current Assets	987,611	1,063,045
Property, Plant and Equipment		
Furniture, fixtures, and equipment	220,034	220,034
Parking lot	20,500	20,500
Trucks	50,256	72,398
Water wells	673,355	673,355
Water tank	913,013	866,923
Distribution system	2,531,364	2,471,661
Fluoridation system	24,214	24,214
Plant and buildings	375,412	355,131
	4,808,148	4,704,216
Accumulated depreciation	(2,092,790)	(1,978,187)
	2,715,358	2,726,029
Land	26,857	26,857
Net Property, Plant, and Equipment	2,773,671	2,752,886
TOTAL ASSETS	\$ 3,761,282	\$ 3,815,931

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

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

LIABILITIES AND NET POSITION	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 61,599	\$ 22,177
Payroll taxes payable	284	3,841
Accrued compensation	14,912	18,037
Accrued interest - payable from restricted assets	10,903	11,418
Meter deposits - payable from restricted assets	105,645	102,975
Due within one year - revenue bonds (Note 8)	<u>80,000</u>	<u>75,000</u>
Total Current Liabilities	<u>273,343</u>	<u>233,448</u>
Long-Term Debt		
Due in more than one year - revenue bonds (Note 8)	<u>1,510,000</u>	<u>1,590,000</u>
Total Long-Term Debt	<u>1,510,000</u>	<u>1,590,000</u>
Total Liabilities	<u>1,783,343</u>	<u>1,823,448</u>
Net Position		
Net investment in capital assets	1,183,671	1,088,272
Amounts restricted for debt service	179,439	174,707
Unrestricted amounts	<u>614,829</u>	<u>729,504</u>
Total Net Position	<u>1,977,939</u>	<u>1,992,483</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,761,282</u></u>	<u><u>\$ 3,815,931</u></u>

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

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

	<u>2019</u>	<u>Percent</u>	<u>2018</u>	<u>Percent</u>
OPERATING REVENUES				
Water sales	\$ 654,992	91.6%	\$ 672,456	91.2%
Meter tap revenue	21,003	2.9%	25,750	3.5%
Service charges	9,165	1.3%	9,005	1.2%
Late charges/delinquent fees	29,888	4.2%	30,383	4.1%
Total Operating Revenues	<u>715,048</u>	<u>100.0%</u>	<u>737,594</u>	<u>100.0%</u>
OPERATING EXPENSES				
Salary - superintendent	72,683	10.2%	71,400	9.7%
Salary - office	63,260	8.8%	64,235	8.7%
Transmission labor	56,245	7.9%	59,377	8.1%
Contract labor	5,768	0.8%	11,319	1.5%
Insurance	106,305	14.9%	108,877	14.8%
Payroll taxes	15,715	2.2%	14,396	2.0%
Retirement benefit	9,010	1.3%	9,295	1.3%
Office supplies and postage	10,517	1.5%	10,319	1.4%
Meeting expense	6,800	1.0%	5,900	0.8%
Telephone and tower communications	11,781	1.6%	10,488	1.4%
Utilities	29,069	4.1%	32,662	4.4%
Billing and meter reading	28,707	4.0%	30,735	4.2%
Truck expense	5,905	0.8%	3,316	0.4%
Maintenance and repairs	107,610	15.0%	116,983	15.9%
Chemicals and supplies	22,684	3.2%	21,178	2.9%
Depreciation	136,745	19.1%	130,478	17.7%
Legal and professional	15,000	2.1%	11,643	1.6%
Equipment rental	7,352	1.0%	3,275	0.4%
Water purchases	404	0.1%	396	0.1%
Miscellaneous	2,642	0.4%	3,105	0.4%
Bad debt expense	1,036	0.1%	1,642	0.2%
Total Operating Expenses	<u>715,238</u>	<u>100.0%</u>	<u>721,019</u>	<u>97.8%</u>
INCOME (LOSS) FROM OPERATIONS	<u>(190)</u>	<u>0.0%</u>	<u>16,575</u>	<u>2.2%</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	1,255	0.2%	1,335	0.2%
Grant income	-	0.0%	26,000	3.5%
Interest expense	(50,599)	-7.1%	(52,459)	-7.1%
DHH fees collected	21,375	3.0%	20,897	2.8%
DHH fees disbursed	(18,433)	-2.6%	(19,240)	-2.6%
Miscellaneous income	32,048	4.5%	20,615	2.8%
Total Non-Operating Revenues (Expenses)	<u>(14,354)</u>	<u>-2.0%</u>	<u>(2,852)</u>	<u>-0.4%</u>
CHANGE IN NET POSITION	<u>(14,544)</u>	<u>-2.0%</u>	<u>13,723</u>	<u>1.9%</u>
NET POSITION - BEGINNING OF YEAR	<u>1,992,483</u>		<u>1,978,760</u>	
NET POSITION - END OF YEAR	<u>\$ 1,977,939</u>		<u>\$ 1,992,483</u>	

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

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 718,714	\$ 733,764
Payments to suppliers	(385,269)	(386,838)
Payments to employees	(195,313)	(188,910)
Other	5,023	(906)
Net Cash Provided (Used) in Operating Activities	143,155	157,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	1,255	1,335
Other income	34,990	22,277
Net Cash Provided (Used) in Investing Activities	36,245	23,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(110,913)	(83,430)
Cash received from grants	-	26,000
Principal paid on bonds	(75,000)	(75,000)
Interest paid on bonds	(51,114)	(52,973)
Net Cash (Used) in Capital and Related Financing Activities	(237,027)	(185,403)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,627)	(4,681)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	944,524	949,205
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 886,897	\$ 944,524
Cash and Cash Equivalents:		
Restricted	\$ 375,987	\$ 364,486
Unrestricted	510,910	580,038
	\$ 886,897	\$ 944,524

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

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

	2019	2018
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (190)	\$ 16,575
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	136,745	130,478
(Increase) decrease in receivables	3,666	(3,830)
(Increase) decrease in prepaid expenses	14,141	(456)
Increase (decrease) in accounts payable	(7,195)	7,049
Increase (decrease) in accrued compensation	(3,125)	6,102
Increase (decrease) in restricted refundable meter deposits	2,670	1,325
Increase (decrease) in payroll taxes	(3,557)	(133)
Total Adjustments	143,345	140,535
Net Cash Provided (Used) by Operating Activities	\$ 143,155	\$ 157,110
 Supplemental Disclosure:		
Cash paid for interest	\$ 51,114	\$ 52,973

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements
April 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

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

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

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Fund Accounting

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

Basis of Accounting

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

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

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

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Accounts Receivable

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

Property, Plant, Equipment, and Construction in Progress

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

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

Depreciation amounted to \$136,745 and \$130,478 for the years ended April 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Risk Management

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

Note 2 - Meeting Expense

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

	April 30, 2019		April 30, 2018	
Member	Total Meetings	Expense	Total Meetings	Expense
Doug Fleming	13	\$ 1,300	12	\$ 1,200
Michael Bergeron	14	1,400	13	1,300
Jack Bartlett	13	1,300	10	1,000
Kenneth Cochran	14	1,400	12	1,200
O.L. Johnson	14	<u>1,400</u>	12	<u>1,200</u>
		<u>\$ 6,800</u>		<u>\$ 5,900</u>

Note 3 - Accrued Vacation and Compensation

The District's liability for accumulated unpaid vacation and compensation as of April 30, 2019 and 2018, totaling \$14,912 and \$18,037, respectively, has been accrued at prevailing wage rates.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 4 - Retirement Benefits

The District implemented a Simplified Employee Pension Plan (SEPP) for its employees during the year ended April 30, 1987. This is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of National Life Group. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District currently contributes 6% of the salary of qualifying full-time employees to this plan. Employees are not allowed to make contributions to the plan. The employer contributions are fully vested and non-forfeitable. The contributions for years 2019 and 2018 were \$9,010 and \$9,295, respectively.

Note 5 - Cash and Cash Equivalents

At April 30, 2019 and 2018, the District had cash and cash equivalents (book balances) totaling \$886,897 and \$944,524, respectively.

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

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

At April 30, 2019, the District had \$877,535 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$455,000 of pledged securities held in a custodial bank in the District's name

At April 30, 2018, the District had \$948,599 in deposits (collected bank balances). These deposits are secured from risk by \$409,563 of federal deposit insurance and \$552,048 of pledged securities held in a custodial bank in the District's name

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 5 - Cash and Cash Equivalents (Continued)

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

Note 6 - Restricted Assets

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

	2019	2018
Construction	\$ -0-	\$ 386
Debt Services Funds	270,342	261,125
Meter Deposits	<u>105,645</u>	<u>102,975</u>
	<u>\$ 375,987</u>	<u>\$ 364,486</u>

Note 7 - Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and construction in progress	\$ 26,857	\$ 31,456	\$ -	\$ 58,313
Capital Assets Being Depreciated:				
Plant and Distribution System	4,411,784	126,074	-	4,537,858
Furniture, Fixtures, & Equipment	<u>292,432</u>	<u>-</u>	<u>22,142</u>	<u>270,290</u>
Total Capital Assets being Depreciated	4,704,216	126,074	22,142	4,808,148
Less Accumulated Depreciation	<u>1,978,187</u>	<u>136,745</u>	<u>22,142</u>	<u>2,092,790</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,726,029</u>	<u>(10,671)</u>	<u>-</u>	<u>2,715,358</u>
Total Capital Assets, Net	<u>\$2,752,886</u>	<u>\$ 20,785</u>	<u>\$ -</u>	<u>\$2,773,671</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2018 and 2017

Note 7 - Capital Assets (Continued)

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and construction in progress	\$ 26,857	\$ -	\$ -	\$ 26,857
Capital Assets Being Depreciated:				
Plant and Distribution System	4,328,354	83,430	-0-	4,411,784
Furniture, Fixtures, & Equipment	<u>306,276</u>	<u>-</u>	<u>13,844</u>	<u>292,432</u>
Total Capital Assets being Depreciated	4,550,649	83,981	13,844	4,704,216
Less Accumulated Depreciation	<u>1,734,991</u>	<u>130,478</u>	<u>13,839</u>	<u>1,978,187</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,815,658</u>	<u>(47,048)</u>	<u>5</u>	<u>2,726,029</u>
Total Capital Assets, Net	<u>\$2,842,515</u>	<u>\$ (47,048)</u>	<u>\$ 5</u>	<u>\$2,752,886</u>

Note 8 - Changes in Long-Term Debt

The following is a summary of revenue bonds payable transactions of the District for the year ended April 30, 2019 and 2018:

Outstanding at April 30, 2017	\$ 1,740,000
Bonds retired	<u>75,000</u>
Outstanding at April 30, 2018	\$ <u>1,665,000</u>
Outstanding at April 30, 2018	\$ 1,665,000
Bonds retired	<u>75,000</u>
Outstanding at April 30, 2019	\$ <u>1,590,000</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

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

Long-term debt at April 30, 2018 consists of the following: 2019 2018

\$2,000,000 Water Revenue Bonds, 2012 Series; dated August 1, 2012; due in annual principal and semi-annual interest installments; annual total debt service payments of \$114,037 to \$157,126, including interest at 2.743%, through the year 2032; secured by pledged revenues of the waterworks system \$1,590,000 \$1,665,000

The annual requirements to amortize all debt outstanding as of April 30, 2019, are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 80,000	\$ 42,517	\$ 122,517
2021	85,000	40,254	125,254
2022	90,000	37,853	127,853
2023	95,000	35,316	130,316
2024	100,000	32,642	132,642
2025-2029	570,000	95,456	665,456
2030-2033	570,000	40,185	610,185
Total	\$ 1,590,000	\$ 324,223	\$ 1,914,223

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

Note 9 - Compliance with Bond Covenants

The revenue bond agreement with JPMorgan Chase Bank contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending April 30, 2018, but did not meet the rate covenant for year ending April 30, 2019.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2019 and 2018

Note 10 - Prior Year Balances

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

Note 11 - Subsequent Events

The District evaluated its April 30, 2019 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, 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. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated August 12, 2019.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2019-2 to be a material weakness.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2019-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, 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 instances of noncompliance or other matters, items 2019-03 and 2019-04 that are required to be reported under *Government Auditing Standards*.

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

Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
August 12, 2019

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Responses
For the Year Ended April 30, 2019

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2019-01; material weakness in internal control – refer to B. 2019-02.
3. Item 2019-03 and 2019-04 instances of noncompliance noted.

B. GAGAS Findings:

2019-01 Segregation of Duties –

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

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

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

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

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

2019-02 Financial Statement Reporting –

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

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

Effect: Misstatements in financial statements could go undetected.

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

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

2019-03 Non-compliance With Bond Covenant –

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

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

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

2019-04 Late Filing of Audit Report

Condition: The report was due October 31, 2019. The report was filed November 7, 2019.

Response: The report was completed and ready to file August 12, 2019. There was an oversight in actually submitting the report with the Legislative Auditor. Management will monitor the filing of the report timely in the future.

C. Prior Year Findings:

2017-01 Segregation of Duties - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

2017-02 Financial Statement Reporting – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

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

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

For the Year Ended April 30, 2019

Agency Head: Doug Fleming, Board President

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

Note: This schedule is included as supplementary information.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No Findings

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No Findings.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

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

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

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

No Findings.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No Findings.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No Findings.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exception in this AUP category tested in year 1, this procedure was not tested in year 2.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exception in this AUP category tested in year 1, this procedure was not tested in year 2.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exception in this AUP category tested in year 1, this procedure was not tested in year 2.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No exception in this AUP category tested in year 1, this procedure was not tested in year 2.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

No exception in this AUP category tested in year 1, this procedure was not tested in year 2.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No findings.

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

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

Steven M. DeRouen & Associates

August 12, 2019
Lake Charles, Louisiana