

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

**Financial Statements
June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of June 30, 2020 and 2019, 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 March 29, 2021 on my consideration of Waterworks District 11 of Wards 4 and 7 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 the effectiveness of Waterworks District 11 of Wards 4 and 7 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 11 of Wards 4 and 7 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 11 of Wards 4 and 7 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
March 29, 2021

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020**

The Management’s Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2020. 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.

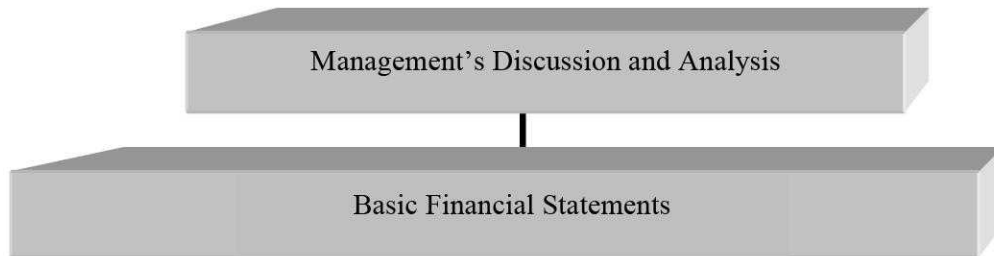
FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2020 by \$3,242,583 which represents a 6.3% increase from last fiscal year. Of this amount, \$304,085 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

- ★ The District’s operating revenue increased \$30,761 (or 3.5%) and the net loss from operations increased by \$45,842.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020**

Basic Financial Statements

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

The Statement of Net Position (pages 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

	2020	2019	2018
Current assets	\$ 908,143	\$ 825,500	\$ 844,524
Capital assets	4,096,356	4,144,459	4,215,263
Total assets	<u>5,004,499</u>	<u>4,969,959</u>	<u>5,059,787</u>
Deferred outflows	73,013	-	-
Total assets and deferred outflows	<u>5,077,512</u>	<u>4,969,959</u>	<u>5,059,787</u>
Other liabilities	265,205	244,541	399,861
Long-term debt outstanding	1,569,724	1,676,194	1,852,281
Total liabilities	<u>1,834,929</u>	<u>1,920,735</u>	<u>2,252,142</u>
Net position:			
Net investment in capital assets	2,828,856	2,685,459	2,569,763
Amounts restricted for debt service	109,642	68,306	101,450
Unrestricted amounts	304,085	295,459	136,432
Total net position	<u>\$ 3,242,583</u>	<u>\$ 3,049,224</u>	<u>\$ 2,807,645</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020**

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

The net position of the District increased by \$193,359, or 6.3%, from June 30, 2019 to June 30, 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 922,203	\$ 891,442	\$ 921,563
Operating expenses	<u>(1,035,420)</u>	<u>(958,817)</u>	<u>(937,329)</u>
Operating income (loss)	(113,217)	(67,375)	(15,766)
Non-operating revenues (expenses)	<u>306,576</u>	<u>308,954</u>	<u>945,035</u>
Net increase (decrease) in net position	<u>\$ 193,359</u>	<u>\$ 241,579</u>	<u>\$ 929,269</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District had \$4,096,356, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See table below) This amount represents a net decrease (including additions and deductions) of \$48,103, or 1.2%, from last year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Plant and Distribution System	7,042,981	7,009,973	6,902,898
Furniture, Fixtures, and Equipment	162,122	204,056	200,056
Less Accumulated Depreciation	<u>(3,130,111)</u>	<u>(3,090,934)</u>	<u>(2,909,055)</u>
Totals	<u>\$ 4,096,356</u>	<u>\$ 4,144,459</u>	<u>\$ 4,215,263</u>

This year's significant capital additions included above were:

- Taps/Bores \$ 48,820
- Three work trucks \$ 63,564

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020**

Debt

The District had \$1,267,500 in bonds outstanding at year-end, compared to \$1,459,000 last year, a decrease of 11.3%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue Bonds	\$ 1,135,000	\$ 1,300,000	\$ 1,460,000
Certificates of Indebtedness	<u>132,500</u>	<u>159,000</u>	<u>185,500</u>
Totals	<u>\$ 1,267,500</u>	<u>\$ 1,459,000</u>	<u>\$ 1,645,500</u>

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

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Crystal Nettles, Office Manager, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish.

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

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 227,879	\$ 205,129
Restricted assets:		
Cash and cash equivalents	267,014	216,481
Investments	243,786	241,869
Receivables (net of allowances for uncollectibles of \$5,830 for 2020 and \$5,730 for 2019):		
Water sales	90,537	87,472
Unbilled water sales	54,852	51,584
Ad Valorem taxes	582	582
Prepaid expenses	23,493	22,383
Total Current Assets	908,143	825,500
PROPERTY, PLANT, AND EQUIPMENT		
Plant and distribution system	7,042,981	7,009,973
Furniture, fixtures, and equipment	162,122	204,056
	7,205,103	7,214,029
Less accumulated depreciation	(3,130,111)	(3,090,934)
	4,074,992	4,123,095
Land and right of ways	21,364	21,364
Net Property, Plant, and Equipment	4,096,356	4,144,459
TOTAL ASSETS	5,004,499	4,969,959
DEFERRED OUTFLOWS OF RESOURCES DUE TO OPEB	73,013	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,077,512	\$ 4,969,959

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

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

	2020	2019
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 21,459	\$ 10,714
Accrued wages	26,726	24,671
Payroll taxes and retirement payable	12,362	10,612
Total Current Liabilities	60,547	45,997
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	3,843	4,319
Due within one year - revenue bonds	170,000	165,000
Due within one year - excess revenue certificates of indebtedness	26,500	26,500
Refundable customer deposits	200,815	194,225
Total Current Liabilities (Payable From Restricted Assets)	401,158	390,044
LONG-TERM LIABILITIES		
Due in more than one year - revenue bonds	965,000	1,135,000
Due in more than one year - excess revenue certificates of indebtedness	106,000	132,500
OPEB payable	302,224	217,194
Total Long-Term Liabilities	1,373,224	1,484,694
TOTAL LIABILITIES	1,834,929	1,920,735
NET POSITION		
Net investment in capital assets	2,828,856	2,685,459
Amounts restricted for debt service	109,642	68,306
Unrestricted amounts	304,085	295,459
TOTAL NET POSITION	3,242,583	3,049,224
TOTAL LIABILITIES AND NET POSITION	\$ 5,077,512	\$ 4,969,959

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

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

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water sales	\$ 875,998	\$ 846,519
Tap fees	46,205	44,923
Total Operating Revenues	<u>922,203</u>	<u>891,442</u>
OPERATING EXPENSES		
Salaries	406,234	383,538
Payroll taxes and employee benefits	31,713	34,078
Retirement expense	20,682	19,184
Insurance	120,606	109,606
Legal and accounting fees	15,450	16,000
Office supplies	11,352	8,821
Plant supplies	59,788	46,974
Repairs and maintenance	67,530	50,500
Truck expense	7,570	10,384
Utilities and telephone	44,230	52,589
Depreciation	197,318	181,879
Bank charges	6,140	6,025
Dues and fees	4,687	3,685
Commissioners per diem	5,200	5,700
Bad debt expense	100	-
Miscellaneous	36,820	29,854
Total Operating Expenses	<u>1,035,420</u>	<u>958,817</u>
INCOME (LOSS) FROM OPERATIONS	<u>(113,217)</u>	<u>(67,375)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	315,671	296,385
Interest income	6,354	6,972
Interest expense	(54,155)	(60,402)
State and Police Jury grant revenues	29,000	58,423
Gain (loss) on disposal of assets	8,743	-
Miscellaneous income (expense)	963	7,576
Total Non-Operating Revenues (Expenses)	<u>306,576</u>	<u>308,954</u>
CHANGE IN NET POSITION	193,359	241,579
NET POSITION - BEGINNING OF YEAR	<u>3,049,224</u>	<u>2,807,645</u>
NET POSITION - END OF YEAR	<u>\$ 3,242,583</u>	<u>\$ 3,049,224</u>

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

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 915,870	\$ 898,116
Payments to suppliers and other	(402,056)	(412,044)
Payments to employees	(404,475)	(400,074)
Net Cash Provided (Used) for Operating Activities	109,339	85,998
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	(1,970)	(3,320)
Interest earned	6,354	6,972
Net Cash Provided (Used) for Investing Activities	4,384	3,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(149,375)	(208,211)
Cash received from sale of fixed assets	8,903	-
Principal payments on bonds	(191,500)	(186,500)
Interest expense	(54,155)	(61,068)
Cash received for ad valorem taxes	315,671	296,385
State and Police Jury grant receipts	29,000	155,559
Miscellaneous	1,016	7,576
Net Cash Provided (Used) for Capital and Related Financing Activities	(40,440)	3,741
Net Increase (Decrease) in Cash and Cash Equivalents	73,283	93,391
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	421,610	328,219
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 494,893	\$ 421,610
Cash and Cash Equivalents:		
Unrestricted	\$ 227,879	\$ 205,129
Restricted	267,014	216,481
	\$ 494,893	\$ 421,610

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

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

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (113,217)	\$ (67,375)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	197,318	181,879
Provisions for bad debts	100	(1,597)
(Increase) decrease in accounts receivable	(6,433)	115,407
(Increase) decrease in prepaid expense	(1,110)	1,925
(Increase) decrease in deferred outflows OPEB	(73,013)	-
Increase (decrease) in accounts payable and other accrued expenses	14,074	(165,539)
Increase (decrease) in restricted refundable customer deposits	6,590	10,885
Increase (decrease) in accrued OPEB payable	85,030	10,413
Total Adjustments	<u>222,556</u>	<u>153,373</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,339</u>	<u>\$ 85,998</u>
 Supplemental Disclosure:		
Cash paid for interest	<u>\$ 54,631</u>	<u>\$ 61,068</u>

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

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

A. Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

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

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

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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

B. Fund Accounting

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

C. Basis of Accounting

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

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

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

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

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Fixed Assets

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

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

Depreciation expense amounted to \$197,318 for the year ended June 30, 2020, and \$181,879 for the year ended June 30, 2019.

E. Estimates

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

F. Accounts Receivable

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Prior Year Balances

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

H. Cash and Cash Equivalents

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

I. Budgets and Budgetary Accounting

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

Note 2 - Ad Valorem Taxes

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

For the year ended December 31, 2019, taxes of 5.51 mills were levied on property with net assessed valuations of approximately \$59,519,692. Total taxes levied, net of pension funds, were \$317,646. The 5.51 mills were dedicated to the maintenance fund.

Note 3 - Changes in Long-Term Debt

The following is a summary of long-term debt payable transactions of the District for the year ended June 30, 2020 and 2019:

	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2019	\$ 1,300,000	\$ 159,000	\$ 1,459,000
Debt Retired	<u>(165,000)</u>	<u>(26,500)</u>	<u>(191,500)</u>
Outstanding at June 30, 2020	<u>\$ 1,135,000</u>	<u>\$ 132,500</u>	<u>\$ 1,267,500</u>
		Certificates of	
	Revenue	Indebtedness	Total
Outstanding at July 1, 2018	\$ 1,460,000	\$ 185,500	\$ 1,645,500
Debt Retired	<u>(160,000)</u>	<u>(26,500)</u>	<u>(186,500)</u>
Outstanding at June 30, 2019	<u>\$ 1,300,000</u>	<u>\$ 159,000</u>	<u>\$ 1,459,000</u>

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

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

Long-term debt at June 30, 2020 and 2019 consisted of the following:

<u>Revenue Bonds:</u>	<u>2020</u>	<u>2019</u>
\$2,365,000 Water Revenue Refunding Bonds, 2012 Series, dated April 19, 2012; due in annual installments of \$34,248 to \$219,663 through June 1, 2026, interest at 1.25% to 4.25%	\$ 1,135,000	\$ 1,300,000
 <u>Certificates of Indebtedness:</u>		
\$265,000 Excess Revenue Certificates of Indebtedness, Series 2014, dated October 21, 2014; due in annual installments of \$26,872 to \$30,223 through October 1, 2024, interest at 2.81%	\$ 132,500	\$ 159,000

The annual requirements to amortize all debt outstanding as of June 30, 2020, are as follows:

<u>Revenue Bonds</u>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2021	\$ 170,000	\$ 45,400	\$ 215,400
2022	180,000	39,663	219,663
2023	185,000	33,363	218,363
2024	190,000	25,500	215,500
2025	200,000	17,425	217,425
2026	210,000	8,925	218,925
Total	<u>\$ 1,135,000</u>	<u>\$ 170,276</u>	<u>\$ 1,305,276</u>
<u>Certificates of Indebtedness</u>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2021	\$ 26,500	\$ 3,351	\$ 29,851
2022	26,500	2,606	29,106
2023	26,500	1,861	28,361
2024	26,500	1,117	27,617
2025	26,500	372	26,872
Total	<u>\$ 132,500</u>	<u>\$ 9,307</u>	<u>\$ 141,807</u>

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

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

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

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 165,000	\$ 50,556	\$ 215,556
2021	170,000	45,400	215,400
2022	180,000	39,663	219,663
2023	185,000	33,363	218,363
2024	190,000	25,500	215,500
2025-2026	<u>410,000</u>	<u>26,350</u>	<u>436,350</u>
Total	<u>\$ 1,300,000</u>	<u>\$ 220,832</u>	<u>\$ 1,520,832</u>

<u>Certificates of Indebtedness</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 26,500	\$ 4,096	\$ 30,596
2021	26,500	3,351	29,851
2022	26,500	2,606	29,106
2023	26,500	1,861	28,361
2024	26,500	1,117	27,617
2025	<u>26,500</u>	<u>372</u>	<u>26,872</u>
Total	<u>\$ 159,000</u>	<u>\$ 13,403</u>	<u>\$ 172,403</u>

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

Note 4 - Compliance with Bond Covenants

The revenue bond agreement contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending June 30, 2020 and 2019.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 5 - Restricted Assets

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

	2020	2019
Bond Redemption Fund	\$ 1,095	\$ 991
Sinking Fund	23,810	22,430
Reserve Fund	220,228	219,690
Construction Fund	64,852	21,014
Customer Deposits	<u>200,815</u>	<u>194,225</u>
	<u>\$ 510,800</u>	<u>\$ 458,350</u>

Note 6 - Cash, Cash Equivalents, and Investments

At June 30, 2020 and 2019, the District had cash and cash equivalents (book balances) totaling \$494,893 and \$421,610, respectively.

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

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

At June 30, 2020, the District had \$522,081 in deposits (collected bank balances). These deposits are secured from risk by \$473,134 of federal deposit insurance and \$160,077 of pledged securities held in a custodial bank in the District's name.

At June 30, 2019, the District had \$449,592 in deposits (collected bank balances). These deposits are secured from risk by \$449,592 of federal deposit insurance. No pledged securities were required at June 30, 2019 and none was 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 NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

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

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

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$243,786 as of June 30, 2020 and \$241,869 as of June 30, 2019.

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

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

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

Credit risk: LAMP is rated AAA 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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019**

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

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 47 days as of June 30, 2020. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

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

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

Note 7 - Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Capital Assets Being Depreciated:				
Plant and Distribution System	7,009,973	82,961	49,953	7,042,981
Furniture, Fixtures, & Equipment	204,056	66,414	108,348	162,122
Total Capital Assets being Depreciated	7,214,029	149,375	158,301	7,205,103
Less Accumulated Depreciation	3,090,934	197,318	158,141	3,130,111
Total Capital Assets Being Depreciated, Net of Depreciation	4,123,095	(47,943)	160	4,074,992
Total Capital Assets, Net	\$ 4,144,459	\$ (47,943)	\$ 160	\$ 4,096,356

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019**

Note 7 - Capital Assets (Continued)

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Capital Assets Being Depreciated:				
Plant and Distribution System	6,902,898	107,075	-0-	7,009,973
Furniture, Fixtures, & Equipment	200,056	4,000	-0-	204,056
Total Capital Assets being Depreciated	7,102,954	111,075	-0-	7,214,029
Less Accumulated Depreciation	2,909,055	181,879	-0-	3,090,934
Total Capital Assets Being Depreciated, Net of Depreciation	4,193,899	(70,804)	- 0 -	4,123,095
Total Capital Assets, Net	\$ 4,215,263	\$ (70,804)	\$ -0-	\$ 4,144,459

Note 8 - Board of Commissioners' Fees

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

	2020	2019
Neva Martin	\$ -0-	\$ 1,200
Ronnie Bowers	1,100	1,300
Robert Barrentine	900	1,200
David Nezat	1,100	-0-
Don Fruge	1,000	1,000
Mike Guidry	1,100	1,000
Total	\$ 5,200	\$ 5,700

Note 9 - Defined Contribution Plan

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

Note 9 - Defined Contribution Plan (Continued)

During the year ending June 30, 2020, contributions by the District amounted to \$20,682, covering all of the District's payroll of \$406,234.

During the year ending June 30, 2019, contributions by the District amounted to \$19,184, covering all of the District's payroll of \$383,538.

Note 10 - Risk Management

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

Note 11 - Other Postemployment Benefits (OPEB)

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

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 as of January 1, 2018 with a measurement date of December 31, 2018. For the Parish plan, the actuarial valuation is required every other year therefore the actuarial valuation prepared will be utilized for the two-year periods of 2018 and 2019 with the inclusion of the appropriate second year adjustments.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

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

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

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

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019

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

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

The total OPEB liability for the January 1, 2019 actuarial valuation, with a measurement date of December 31, 2019, and inclusive of the measurement period of January 1, 2019 through December 31, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	2.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 2.74%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.26%, and (c) Fidelity GA AA 20 Years – 2.75%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019**

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

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

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year**	\$25,609,107	\$25,609,107	\$14,698,859	\$40,307,966
Current Period Changes:				
Service Cost	457,160	457,160	280,940	738,100
Interest on Total OPEB Liability	917,155	917,155	534,713	1,451,868
Changes in Assumptions**	6,402,507	6,402,507	3,928,299	10,330,806
Benefit Payments	<u>(771,293)</u>	<u>(771,293)</u>	<u>(377,476)</u>	<u>(1,148,769)</u>
Net Change in Total OPEB Liability	7,005,529	7,005,529	4,366,476	11,372,005
Total OPEB Obligation at End of Year – Measurement Date	<u>\$32,614,636</u>	<u>\$32,614,636</u>	<u>\$19,065,335</u>	<u>\$51,679,971</u>
** Changes in assumptions reflect a decrease of 1.0% in the discount rate from 3.9% for 2018 to 2.9% for 2019.				

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish's and District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.9%) or one percentage point higher (3.9%) than the current discount rate of 2.9%:

	1% Decrease (1.9%)	Discount Rate (2.9%)	1% Increase (3.9%)
Total OPEB Liability Parish	\$42,141,263	\$32,614,636	\$26,095,731
Total OPEB Liability District	\$390,504	\$302,224	\$241,815

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2020 and 2019**

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish's and District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7%) or one percentage point higher (9%) than the current healthcare cost trend rate of 8%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$24,944,528	\$32,614,636	\$43,753,150
Total OPEB Liability District	\$231,150	\$302,224	\$405,440

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the District recognized OPEB expense of \$12,017. At June 30, 2019, the District recognized OPEB expense of \$10,413.

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

Net OPEB Obligation at June 30, 2019	\$ 217,194
Current Period Changes:	
Service Cost	4,946
Interest on Total OPEB Liability	8,397
Changes in Assumptions	73,013
Benefit Payments	(1,326)
Net Change in Total OPEB Liability	85,030
Net OPEB Obligation at June 30, 2020	<u>\$ 302,224</u>
District's Proportionate Percentage of Total Parish OPEB Obligation	0.6%
Change in Total Parish OPEB Obligation Since the Prior Measurement Date	27.3%

Deferred outflows of \$73,013 as of June 30, 2020 were result of changes in assumptions. Amortization due to changes in assumptions is \$7,301 per year over 10 years.

Note 12 - Subsequent Events

The District evaluated its June 30, 2020 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. The District experienced significant damage to buildings and infrastructure due to hurricanes that impacted the area during August and October of 2020. The financial loss, if any, has yet to be determined.

STEVEN M. DEROUEN & ASSOCIATES

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

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

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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated March 29, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District 11 of Wards 4 and 7 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 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 a deficiency in internal control that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2020-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2020-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's responses to the findings identified in my audit are 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 them.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 29, 2021

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2020-01; material weakness in internal control – refer to B. 2020-02.
3. No instances of non-compliance noted.

B. GAGAS Findings:

2020-01 Segregation of Duties –

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

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

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

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

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. Commissioners have implemented supervision and review procedures to the extent possible. This a repeat finding.

2020-02 Financial Statement Reporting –

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

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

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2020**

C. Summary of Prior Year Findings:

2019-01 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.

2019-02 Financial Statement Reporting – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

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

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

Year Ended June 30, 2020

Agency Head: Ronnie Bowers, Board President

Purpose	Amount
Commissioner Fees	\$1,100
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Other Postemployment Benefits -
Schedule of Changes in Total OPEB Liability and Related Ratios
For The Year Ended June 30, 2020**

	2019	2020	2021	2022	2023
Total OPEB Liability					
Service Cost	\$ 4,214	\$ 4,946			
Interest on Total OPEB Liability	\$ 8,029	\$ 8,397			
Changes in benefit terms	\$ -	\$ -			
Differences between expected and actual	\$ -	\$ -			
Changes in assumptions or other inputs	\$ -	\$ 73,013			
Benefit payments	\$ (1,830)	\$ (1,326)			
Net Change in Total OPEB Liability	<u>\$ 10,413</u>	<u>\$ 85,030</u>			
Total OPEB Liability - Beginning	<u>\$ 206,781</u>	<u>\$ 217,194</u>			
Total OPEB Liability - Ending	<u>\$ 217,194</u>	<u>\$ 302,224</u>			
Covered Employee Payroll	\$ 287,849	\$ 330,323			
Total OPEB liability as a percentage of covered employee payroll	75.45%	91.49%			

Notes to Schedule:

Changes in Benefit Terms
Changes in Assumptions

None
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2019	3.90%
2020	2.90%

This schedule is intended to report information for 10 years. Data for the full ten year period is not available but will be reported as the additional years become available.