

Fourth Ward Waterworks Association, Inc.

Albany, Louisiana

Annual Financial Statements

As of December 31, 2021 and for the Year Then Ended

With Supplemental Information Schedules



Hebert Johnson  
& Associates, Inc.  
Certified Public Accountants

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*A Professional Accounting Corporation*

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**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

Table of Contents  
December 31, 2021

	Statement	Page
Independent Auditor's Report.....		1
Statement of Financial Position .....	A	5
Statement of Activities.....	B	6
Statement of Cash Flows .....	C	8
Notes to the Financial Statements.....		10
Supplementary Information:		
Schedule of Entity Officials .....		18
Schedule of Water Rates and Water Customers.....		19
Schedule of Insurance .....		20
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....		22
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 .....		23
Schedule of Prior Year Audit Findings.....		25
Schedule of Current Year Audit Findings and Responses.....		26

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A PROFESSIONAL ACCOUNTING CORPORATION

## Independent Auditor's Report

To the Board of Directors  
Fourth Ward Waterworks Association, Inc.  
P.O. Box 623  
Albany, Louisiana 70711

### Opinion

We have audited the accompanying financial statements of Fourth Ward Waterworks Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fourth Ward Waterworks Association, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fourth Ward Waterworks Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Management's Responsibility for the Financial Statements

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fourth Ward Waterworks Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with general accepted auditing standards, we:

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

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

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 through 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Other Information*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2022, on our consideration of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting on compliance. That report is an considering Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting and compliance.

*Phil Hebert*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
May 23, 2022



## Financial Statements

**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Statement A**

**Statement of Financial Position**  
**December 31, 2021**

**Assets**

**Current Assets:**

Cash & Cash Equivalents	\$	348,161
Investments		241,430
Inventory		20,407
Accounts Receivable, Net		48,321
Accrued Billings		10,192
Prepaid Insurance		19,410
Total Current Assets		687,921

**Restricted Assets:**

Restricted Cash and Cash Equivalents		248,819
Total Restricted Cash and Cash Equivalents		248,819

**Property, Plant & Equipment:**

Land		23,476
Capital Assets, Net		2,070,650
Construction in Progress		173,366
Total Property, Plant & Equipment		2,267,492

Total Assets	\$	3,204,232
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**Liabilities and Net Assets**

**Current Liabilities:**

Accrued Payables	\$	5,326
Construction Payable		5,738
Payroll Liabilities		5,306
Accrued Interest		2,950
Note Payable - Current Portion		124,609
Total Current Liabilities		143,929

**Noncurrent Liabilities:**

Members' Deposits		119,700
Note Payable - Long Term		177,984
Total Noncurrent Liabilities		297,684
Total Liabilities		441,613

**Net Assets:**

Without Donor Restrictions		2,762,619
Total Net Assets		2,762,619
Total Liabilities and Net Assets	\$	3,204,232

The accompanying notes are an integral part of this statement.

**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Statement B**

**Statement of Activities**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions
<b>Operating Revenues:</b>	
Water Sales	\$ 613,074
DHH Fees	19,013
Miscellaneous Income	59,232
Total Operating Revenues	691,319
 <b>Operating Expenses:</b>	
Amortization	1,600
Auto Expense	3,506
Bad Debt	643
Bank Charges	195
Billing Fees	2,859
Continuing Education	3,295
Depreciation	126,616
Dues	375
Employee Medical Cost	200
Equipment Rental	495
Insurance	20,993
Licenses	4,851
Office Supplies	789
Outside Services	490
Per Diem, Board Members	5,400
Postage	7,939
Professional	10,541
Repairs & Maintenance	2,726
Retirement	3,900
Safe Drinking Water Fees	17,926
Salaries	194,976
Taxes, Payroll	15,404
Telephone	6,189
Utilities	27,637
Water System Supplies	59,158
Total Operating Expenses	518,703
<b>Operating Income</b>	<b>172,616</b>

(Continued)

The accompanying notes are an integral part of this statement.



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Statement B**

**Statement of Activities  
For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	\$ 807
Bond Interest	<u>(19,494)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(18,687)</u>
 <b>Change in Net Assets</b>	 153,929
 <b>Net Assets, Beginning</b>	 <u>2,608,690</u>
<b>Net Assets, Ending</b>	<b>\$ <u><u>2,762,619</u></u></b>

**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Statement C**

**Statement of Cash Flows  
For the Year Ended December 31, 2021**

**Cash Flows From Operating Activities**

Received from Customers	\$ 699,007
Payments for Operations	(161,105)
Payments for Employees	(218,996)
Net Cash Provided by Operating Activities	<u>318,906</u>

**Cash Flows From Investing Activities**

Purchase of Property, Plant, & Equipment	(167,628)
Receipt of Interest	807
Increase in Investment	(693)
Net Cash Used by Investing Activities	<u>(167,514)</u>

**Cash Flows From Financing Activities**

Repayment of Debt Principal	(101,621)
Interest Payments	(21,375)
Net Cash Used by Financing Activities	<u>(122,996)</u>

<b>Net Increase in Cash</b>	28,396
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>568,584</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 596,980</u></u>

**Reconciliation of Cash and Cash Equivalents to Statement of Financial Position:**

Cash and Cash Equivalents, Unrestricted	\$ 348,161
Cash and Cash Equivalents, Restricted	248,819
Total Cash and Cash Equivalents	<u><u>\$ 596,980</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

Statement C

**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating Income	\$ 172,616
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	126,616
(Increase) Decrease in Accounts Receivable	4,413
(Increase) Decrease in Accrued Billings	680
(Increase) Decrease in Prepaid Insurance	(3,668)
(Increase) Decrease in Inventory	12,000
Increase (Decrease) in Accounts Payables	3,240
Increase (Decrease) in Customer Deposits Payable	2,475
Increase (Decrease) in Payroll Liabilities	534
Net Cash Provided by Operating Activities	<u>\$ 318,906</u>



**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**Business Organization**

Fourth Ward Waterworks Association, Inc. (The Association) is a non-profit corporation of the State of Louisiana serving the water service needs of its members. The Association was incorporated in 1969 and is supported primarily by fees paid by members for water services. The service limits for the Association are within Livingston Parish from the village limits of Albany, bounded on the north by St. Helena Parish, on the east by Tangipahoa Parish and on the west by the Tickfaw River. The Association currently serves 1,596 members.

**1. Significant Accounting Policies**

**A. Basis of Presentation**

The Association is required to report information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**B. Basis Accounting**

The financial statements of Fourth Ward Waterworks Association, Inc. have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**C. Water Sales**

Revenue from contracts with members for monthly water sales is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing water to its customers. Revenue is recognized as performance obligations are satisfied, which is monthly, as billed. Generally, the Association bills members on the 1st day of each month and amounts being due by the 11th of each month.

**D. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, time deposits and money market accounts. For purposes of the statement of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**E. Investments**

The Association maintains investments in the Louisiana Asset Management Pool (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of Louisiana to operate as a local government investment pool. LAMP invests its assets only in securities and other obligations permissible under Louisiana law for local governments. Investments in LAMP are highly liquid and are considered to be cash equivalents. The Association also maintains an investment in a certificate of deposit with an initial maturity of more than 90 days.

**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**F. Inventories**

Inventories of water system supplies are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

**G. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. At December 31, 2021, the amount of prepaid insurance totaled \$19,410.

**H. Property, Plant and Equipment**

Property, plant, and equipment are stated at cost or fair value at date of donation. The Association has not adopted a formal capitalization policy. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 Years
Machinery and Equipment	5 - 7 Years
Water Systems	40 Years

Renewals or improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of activities.

**I. Compensated Absences**

At December 31, 2021, the Association did not have employees that accumulate or vest benefits.

**J. Income Taxes**

The Association is exempt from Federal Income Taxes under Section 501 (C) (12) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax.

**K. Use of Estimates**

The preparation of financial statements in conformance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of 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.



**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**L. Restricted Cash**

Members' deposits are classified as restricted assets. Certain resources set aside for the repayment of the note payable are classified as restricted assets because their use is limited by applicable bond covenants.

**M. Concentration of Credit Risk**

In the normal course of business, the Association extends unsecured credit to customers located in Livingston Parish in the State of Louisiana.

At December 31, 2021, the Association had deposits in excess of the FDIC insurance by \$264,712.

**2. Financial Assets and Liquidity Resources**

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditures such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial Assets:

Cash & Cash Equivalents	\$ 348,161
Investments	241,430
Accounts Receivable, Net	<u>48,321</u>
Total Financial Assets Available within One Year	<u>637,912</u>

Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 637,912</u>
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**3. Cash and Cash Equivalents**

At December 31, 2021, the Association had cash and cash equivalents totaling \$596,980 (book balances) as follows:

Demand Deposits	\$ 348,161
Money Market	<u>248,819</u>
Total Cash and Cash Equivalents	<u>\$ 596,980</u>



**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**4. Investments**

Investments held at December 31, 2021 consist of \$76,610 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by the Louisiana Asset Management Pool, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The primary objective of LAMP is to provide a safe environment for the placement of 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.

At December 31, 2021 the Association's certificate of deposit was reported separate from cash because the original maturity was more than 90 days. The fair value of the certificate of deposit at December 31, 2021 was \$164,820.

**5. Inventories**

At December 31, 2021, the Association had inventories consisting of the following:

Water System Supplies	\$	9,588
Water Chemicals		10,818
Total	\$	<u>20,406</u>

**6. Receivables**

The following is a summary of receivables at December 31, 2021:

	<u>Beginning</u>	<u>Ending</u>
Accounts	\$ 56,617	\$ 52,204
Accrued Billings	10,872	10,192
Allowance for Bad Debt	<u>(3,883)</u>	<u>(3,883)</u>
Net Accounts Receivable	\$ <u>63,606</u>	\$ <u>58,513</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Uncollectible accounts are written off against accounts receivable, when determined by the manager to be uncollectible.

Estimated unbilled receivables are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Estimated unbilled receivables at December 31, 2021 totaled \$10,192.

The Association does not require collateral from its customers. The Association requires a security deposit of \$75.

**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**7. Restricted Assets**

At December 31, 2021, the Association had restricted assets as follows:

Debt Service Reserve Account	\$	124,348
Members' Deposit Account		119,700
<b>Total Restricted Assets</b>		<u>\$ 244,048</u>

The Association is required to maintain a separate account for a reserve fund according bond covenants. The Association shall fund the Debt Reserve Requirement of \$124,148 in quarterly installments of \$10,345.66. The Reserve fund has been fully funded as of December 31, 2021.

**8. Property, Plant and Equipment**

A summary of changes in capital assets during the fiscal year ending December 31, 2021, is as follows:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Capital Assets				
Land	\$ 23,476	\$ -	\$ -	\$ 23,476
Construction In progress	-	173,366		173,366
Building	19,637	-	-	19,637
Equipment & Furniture	106,262	-	-	106,262
Water Distribution System	4,199,961	-	-	4,199,964
Total Capital Assets	<u>4,349,336</u>	<u>173,366</u>	<u>-</u>	<u>4,522,705</u>
Less Accumulated Depreciation	<u>(2,128,597)</u>	<u>(126,616)</u>	<u>-</u>	<u>(2,255,213)</u>
Total Capital Assets, Net	<u>\$ 2,220,739</u>	<u>\$ 46,750</u>	<u>\$ -</u>	<u>\$ 2,267,492</u>

Depreciation expense for the fiscal year ending December 31, 2021, totaled \$126,616.

The Association is in the process of drilling a new water well. During year the association drilled a test well which cost \$130,335. In addition, the Association has incurred \$43,031 in engineering fees towards the cost of the new water well. Livingston Parish Government is paying approximately \$1,560,000 towards the cost of the well and Fourth ward will pay \$350,000 plus the engineering cost.

**9. Members' Deposits**

Members' deposits are paid by customers upon application for utility services and are returnable to them upon termination of services. The Association has established a separate bank account for member deposits. At December 31, 2021, the balance in this account is \$119,700.



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2021**

**10. Pension Plan**

The Fourth Ward Waterworks Association, Inc. participates in a Simple IRA Retirement Plan. The Association contributes two (2) percent of all employees' annual income. At December 31, 2021, the association recorded retirement expense of \$3,900.

**11. Notes Payable**

The Association entered into a loan agreement with the Louisiana Local Government Environment Facilities and Community Development Authority. On February 25, 2011, the Association borrowed \$1,224,000 in "Revenue Bonds Series 2011." The interest rate is at 5.699% and final maturity is on February 1, 2026. The Association has \$6,800 remaining in the unamortized portion of the bond issuance cost. This amount is netted with the long-term portion of the Note Payable on the Statement of Financial Position.

	Balance December 31, 2020	Payments	Balance December 31, 2021	Due Within One Year
Series 2011	\$ 412,612	\$ 103,220	\$ 309,392	\$ 109,289

The debt service requirements to maturity for the Revenue Bonds Series 2011 are as follows:

Year Ending December 31	Principle	Interest	Total
2022	109,289	15,319	124,608
2023	115,630	8,978	124,608
2024	84,474	2,186	86,660
	\$ 309,393	\$ 26,483	\$ 335,876

The Association must maintain user fees sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system. The Association is in compliance with this covenant.



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2021**

**13. Subsequent Event**

Management has evaluated subsequent events through May 23, 2022, the date which the financial statements were available to be issued and determined that the following event should be disclosed.

Contracts for the new water well have been awarded and Fourth Ward Waterworks Association has paid \$175,000 towards the \$350,000 match and has continued to incur engineering fees.

## Supplementary Information



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Entity Officials  
December 31, 2020**

<u>Board of Directors</u>	<u>Per Diem Payments</u>	<u>Salary Payments</u>	<u>Total Payments</u>	<u>Term Expires</u>
Sid Kinchen, President P.O. Box 1883 Albany, LA 70711 Phone: 225-567-1101	\$ 1,100	\$ 69,121	\$ 70,221	12/31/22
Eddie Wagner, Vice-President 32290 Pea Ridge Rd Albany, LA 70711 Phone: 225-567-2524	\$ 900	\$ -	\$ 900	12/31/23
Johnnie Johnson, Treasurer 28873 LA 40 Independence, LA 70443 Phone: 985-878-9746	\$ 1,100	\$ -	\$ 1,100	12/31/22
Jody Purvis, Secretary 27831 Horseshoe Rd N. Independence, LA 70443 Phone: 985-878-8650	\$ 1,100	\$ -	\$ 1,100	12/31/21
Kenneth Purvis, Board Member 27944 Purvis Rd Independence, LA 70443 Phone: 985-878-6116	\$ 1,100	\$ 52,646	\$ 53,746	12/31/23

See Auditor's Report.

**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Water Rates and Water Customers  
December 31, 2021**

Residential Water Rates:	<u>0 - 2,000 gallons</u>	<u>\$18.00 flat rate</u>
	Over 2,000 gallons	\$3.50 per 1,000 gallons
		\$1.00 DHH Fee
Residential Customers:	1,575 customers	
Non-residential Customers:	21 customers	

See Auditor's Report.



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Insurance  
December 31, 2021**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
Glatfelter Insurance Group		
Policy No. GPPAPF605486801	<b>Property</b>	
Policy Period: 01/01/22-01/01/23	Real Property and Personal Property	\$1,490,212 Blanket Limit
	<b>Commercial Crime Coverage</b>	
	Employee Theft	\$100,000 Per Loss
	Forgery or Alteration	\$100,000 Per Occurrence
	Inside the Premises - Theft of Money & Securities	\$100,000 Per Occurrence
	Inside the Premises - Robbery/ Safe Burglary	\$100,000 Per Occurrence
	Outside the Premises Computers and Funds Transfer Fraud	\$100,000 Per Occurrence
	Money Orders	\$100,000 Per Occurrence
	Fraudulent Impersonation	\$100,000 Per Occurrence
	<b>Inland Marine Coverage</b>	
	Blanket Tools and Equipment	\$25,000 Limit \$10,000 Per Item
	2011 Kubota KX91-352 Excavator	\$35,000 Limit
	<b>General Liability</b>	
	General Liability	\$1,000,000
	Damage to Premises Rented to You	\$1,000,000
	Medical Expense	\$10,000
	Personal and Advertising Injury	\$1,000,000
	General Aggregate	\$3,000,000
	Products - Completed Operations Aggregate	\$3,000,000

(Continued)  
See Auditor's Report.

**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Insurance  
December 31, 2021**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
	<b>Workers Compensation</b>	<b>Statutory Limits</b>
Louisiana Workers Compensation Corp. Policy # 7678 - B Policy Period: 01/04/22-01/04/23	Bodily Injury by Accident Bodily Injury by Disease Bodily Injury by Disease	\$1,000,000 Each Accident \$1,000,000 Each Employee \$1,000,000 Policy Limit
Travelers Policy # 105527815 Policy Period: 01/01/22-01/01/25	Non-Profit Organization Directors' and Officer's Liability  Employment Practices Liability	\$1,000,000 For All Claims  \$1,000,000 For All Claims

(Concluded)  
See Auditor's Report.



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Compensation, Benefits and Other  
Payments to Agency Head  
December 31, 2021**

Manager: Sid Kinchen

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 69,121
Retirement Benefits	1,396
Per Diem - Board Meetings	1,100
Travel	1,311
Total Payments	\$ 72,928

See Auditor's Report.

CHARLES P. HEBERT, CPA

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A PROFESSIONAL ACCOUNTING CORPORATION

**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 Directors  
Fourth Ward Waterworks Association, Inc.  
P.O. Box 623  
Albany, Louisiana 70711

We have audited, in accordance with the 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 Fourth Ward Waterworks Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fourth Ward Waterworks Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Fourth Ward Waterworks Association, Inc.'s internal control.

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



## **Fourth Ward Waterworks Association, Inc.**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Year Audit Findings and Responses as item 2021-1 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

## **Fourth Ward Waterworks Association's Response to Findings**

Fourth Ward Waterworks Association's response to the findings identified in our audit is described in the accompanying Schedule of Current Year Audit Findings and Responses. Fourth Ward Waterworks Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The Purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and passes through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Phil Hebert*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
May 23, 2022

**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2021**

**Section I Internal Control and Compliance Material to the Financial Statements**

**2020-1 Segregation of Duties**

**Condition:**

The Association currently does not have adequate segregation of duties. Currently, the manager has the capability to create utility billings, make adjustments in the utility software, and collect payments.

**Recommendation:**

As a compensating control, the accounts receivable balance in the utility billing system must be reconciled to the general ledger monthly.

**Resolved:**

See Finding 2021-1



**Fourth Ward Waterworks Association, Inc.  
Albany, Louisiana**

**Schedule of Current Year Audit Findings and Responses  
December 31, 2021**

We have audited the basic financial statements of Fourth Ward Waterworks Association, Inc. as of and for the year ended December 31, 2021, and have issued our report thereon dated May 23, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2021, resulted in an unmodified opinion.

**Section I Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses, Yes Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not applicable

Was a management letter issued? No

**Internal Control**

**2021-1 Segregation of Duties**

**Condition:**

The Association currently does not have adequate segregation of duties. Currently, the manager has the capability to create utility billings, make adjustments in the utility software, and collect payments.

**Criteria:**

Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions, and maintaining custody of related assets.

**Cause:**

The Association's staff is not sufficient size to allow for proper and appropriate segregation of duties to maintain an effective system of internal controls.



**Fourth Ward Waterworks Association, Inc.**  
**Albany, Louisiana**

**Schedule of Current Year Audit Findings and Responses**  
**December 31, 2021**

**Effect:**

Without segregation of incompatible duties, the Association is exposed to many risks including, but not limited to, the risk of improper or unauthorized transactions, misappropriation of assets, and incomplete, inaccurate, or fraudulent financial reporting. The lack of segregation of incompatible duties represents a material weakness in the design of the internal controls over financial reporting.

**Recommendation:**

We recommend the Association continue to perform the following:

- Review of the unopened monthly bank statements and related bank reconciliations (including all cancelled checks) by a board member and require that person to document their review and approval of the items clearing the bank statement by initialing and dating the face of the statement.
- Review the Association's monthly financial statements.
- The Board should continue to approve credit and debit memos.
- The Board should continue to approve the write off of bad debts.
- External CPA should continue to reconcile utility billing receivable to general ledger.
- Board member should continue to initial invoices

**Management's Response:**

Management acknowledges the condition as described above. Responsible Party is Sid Kinchen, Manager.