

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

**Annual Financial Report
June 30, 2019 and 2018**

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

FINANCIAL STATEMENTS AT JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2019 on my consideration of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 23, 2019

**WATERWORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
Management's Discussion and Analysis
For the year ended June 30, 2019**

Our discussion and analysis of Waterworks District No. 1 of Ward 1's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

As a result of this year's operations, assets exceeded liabilities by \$15,193,908 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$14,175,084. The net position increased by \$1,018,824 or 7.2%.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$12,394,592 included in property and equipment, net of accumulated depreciation, net of long-term debt.
- (2) The balance of unrestricted net position consists of 2,799,316 which does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Total spending for all District activities was \$2,005,530 for the year, which is \$57,680 less than the previous year. Operating revenues for the year increased by \$344,691 and operating expenses decreased \$44,593 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net position increased by \$1,018,824 as a result of this year’s operations.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations increased by \$544,028 from the previous fiscal year. The balance in net position represents the accumulated results of all past year’s operations.

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

Condensed Statement of Net Position - TABLE 1

	2019	2018	2017
Current Assets	\$ 4,242,317	\$ 4,030,995	\$ 4,041,568
Capital Assets	12,394,592	12,254,258	11,583,284
Total Assets	16,636,909	16,285,253	15,624,852
Current Liabilities	83,043	764,249	374,328
Long term debt			
Outstanding	-	-	330,000
Other liabilities	1,359,958	1,345,920	1,339,888
Total liabilities	1,443,001	2,110,169	2,044,216
Invested in Capital Assets net of Debt	12,394,592	11,919,796	10,914,733
- Unrestricted	2,799,316	2,255,288	2,665,903
Total Net Position	<u>\$ 15,193,908</u>	<u>\$ 14,175,084</u>	<u>\$ 13,580,636</u>

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Income	\$ 3,482,852	\$ 3,138,171	\$3,013,559
Non-Operating Income	<u>229,421</u>	<u>181,067</u>	<u>238,942</u>
Total Revenue	3,712,273	3,319,238	3,252,501
Depreciation	687,919	661,580	645,134
Operating Expenses	1,996,495	1,981,411	1,708,228
Non-Operating Expenses	<u>9,035</u>	<u>22,122</u>	<u>34,457</u>
Total Expenses	<u>2,693,449</u>	<u>2,724,790</u>	<u>2,661,002</u>
Change in Net Position	<u>\$ 1,018,824</u>	<u>\$ 594,448</u>	<u>\$ 591,499</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

- New Service Installations \$349,837
- Plant A and B rehab \$764,348
- Topsy Road Waterline Overlay \$296,762

LONG-TERM DEBT

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

	2019	2018	2017
Revenue Bonds	-0-	330,000	645,000

CONTACTING MANAGEMENT

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

**Comparative Statement of Net Position
At June 30, 2019 and 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and equivalent-unrestricted	\$ 2,543,897	\$ 2,455,174
Cash and equivalent-restricted	244,515	354,411
Certificate of deposits - unrestricted	-	730,473
Investments unrestricted	934,091	-
Accounts receivable	355,289	328,479
Grant receivable	-	14,960
Inventory-materials and supplies	164,525	146,647
Interest receivable	-	851
Total Current Assets	<u>4,242,317</u>	<u>4,030,995</u>
Capital Assets		
Land	674,846	674,846
Construction in Progress	147,054	945,864
Depreciable assets	23,403,332	21,797,877
Less-Accumulated depreciation	<u>(11,830,640)</u>	<u>(11,164,329)</u>
Total Fixed Assets	<u>12,394,592</u>	<u>12,254,258</u>
Total Assets	<u>\$ 16,636,909</u>	<u>\$ 16,285,253</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Bonds payable	\$ -	\$ 330,000
Accounts payable	78,396	425,014
Payroll and sales taxes payable	4,647	4,773
Interest payable -- payable from restricted assets	-	4,462
Total Current Liabilities	<u>83,043</u>	<u>764,249</u>
Long Term Debt		
Bonds payable	-	-
Total Long Term Liabilities	<u>-</u>	<u>-</u>
Other Liabilities		
Customer deposits -- payable from restricted assets	253,950	239,912
Due to State of Louisiana/Act 319	<u>1,106,008</u>	<u>1,106,008</u>
Total Other Liabilities	<u>1,359,958</u>	<u>1,345,920</u>
Total Liabilities	1,443,001	2,110,169
Net Position		
Invested in capital assets, net of debt	12,394,592	11,919,796
Unrestricted	<u>2,799,316</u>	<u>2,255,288</u>
Total Net Position	<u>15,193,908</u>	<u>14,175,084</u>
Total Liabilities and Net Position	<u>\$ 16,636,909</u>	<u>\$ 16,285,253</u>

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

EXHIBIT B

**Comparative Statements of Revenue, Expenses and
Changes in Net Position for the years ended
June 30, 2018 and 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenue		
Water Sales	\$ 3,099,594	\$ 2,875,698
Tapping, connection, and meter fees	383,258	262,473
Total Operating Revenue	<u>3,482,852</u>	<u>3,138,171</u>
Operating Expenses		
Production and distribution	1,103,563	1,234,866
General and administrative	892,932	806,222
Total Operating Expenses	<u>1,996,495</u>	<u>2,041,088</u>
Operating Revenue before depreciation	1,486,357	1,097,083
Depreciation	<u>687,919</u>	<u>661,580</u>
Net Operating Income after depreciation	798,438	435,503
Non-Operating Revenue		
Interest	4,847	5,171
Grant and other support	224,574	175,896
Total Non-Operating Revenue	<u>229,421</u>	<u>181,067</u>
Non-Operating Expenditures		
Interest	9,035	22,122
Total Non-Operating Expenditures	<u>9,035</u>	<u>22,122</u>
Non-Operating revenue (Expenditures)	<u>220,386</u>	<u>158,945</u>
Net Increase in Net Position	1,018,824	594,448
Net Position beginning of the year July 1,	<u>14,175,084</u>	<u>13,580,636</u>
Net Position end of year June 30,	<u>\$ 15,193,908</u>	<u>\$ 14,175,084</u>

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

EXHIBIT C

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 3,456,042	\$ 3,123,994
Payments to suppliers and other	(1,120,880)	(822,091)
Payments to employees, benefits and payroll taxes	(937,266)	(853,661)
Net Cash Provided (Used) by Operating Activities	<u>1,397,896</u>	<u>1,448,242</u>
Cash Flows From Non-capital Financing Activities:		
Grant revenue and other revenues	-	32,364
Net cash (used) provided by non-capital financing activities	<u>-</u>	<u>32,364</u>
Cash Flows From Investing Activities:		
Purchase of LAMP investment	(203,618)	-
Interest income	4,847	5,171
Net Cash Provided (Used) by Investing Activities	<u>(198,771)</u>	<u>5,171</u>
Cash Flows From Capital and Related Financing Activities:		
Grant revenue	239,534	128,572
Capital expenditures for plant and equipment	(1,130,373)	(1,345,885)
Principal payments on bonds	(330,000)	(315,000)
Principal payments on contract payable	-	(14,830)
Interest expense	(13,497)	(26,381)
Increase (decrease) in customer deposits	14,038	6,032
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,220,298)</u>	<u>(1,567,492)</u>
Net Increase (Decrease) in Cash	(21,173)	(81,715)
Cash and Cash Equivalents - Beginning of Year	<u>2,809,585</u>	<u>2,891,300</u>
Cash and Cash Equivalents - End of Year	<u>2,788,412</u>	<u>2,809,585</u>
Cash and Cash Equivalents:		
Cash - unrestricted	2,543,897	2,455,174
Cash - restricted	244,515	354,411
	<u>\$ 2,788,412</u>	<u>\$ 2,809,585</u>

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

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

EXHIBIT C

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Net operating income after depreciation	\$ 780,560	\$ 435,503
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	687,919	661,580
Bad debts	14,797	11,260
Change in assets and liabilities:		
(Increase) decrease in receivables	(26,810)	(14,177)
(Increase) decrease in inventory	(17,878)	(39,934)
Increase (decrease) in accounts payable	(40,566)	393,853
Increase (decrease) in payroll and sales taxes payable	<u>(126)</u>	<u>157</u>
 Total Adjustments	 <u>617,336</u>	 <u>1,012,739</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 1,397,896</u></u>	 <u><u>\$ 1,448,242</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 2019 AND 2018**

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

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

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

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

Method of Accounting

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

Note 1

Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Funds

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

Deposits and Investments

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

Note 1

Summary of Significant Accounting Policies (Continued)

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

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

Receivables and Payables

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

Inventories and Prepaid Items

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

Encumbrances

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

Capital Assets

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

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

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

Note 1

Summary of Significant Accounting Policies (Continued)

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

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

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

Compensated Absences

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

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

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

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

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

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

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

Extraordinary and Special Items

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

Estimates

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

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

Risk Management

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

Note 2 **Stewardship, Compliance and Accountability**

Budget Information

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

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

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

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2019 and 2018, the carrying amounts of deposits were \$2,787,612 and \$3,540,058 and the bank balances were \$2,897,468 and \$3,570,220, respectively.

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

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. At June 30, 2019, the District had bank balances of \$2,897,468 in demand deposits. These deposits are secured from risk by \$545,410 in FDIC insurance and \$2,502,000 in pledged securities held in a custodial bank in the District's name.

Note 3

Deposits with Financial Institutions and Investments (continued)

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$934,091 as of June 30, 2019 and \$-0- as of June 30, 2018.

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

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

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

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

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

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

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 43 days as of December 31, 2018. The District does not have interest rate risk policies for investments.

Note 3

Deposits with Financial Institutions and Investments (continued)

Foreign currency risk: Not applicable.

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

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

Note 4

Bonds Payable

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

		<u>Revenue Bonds Payable</u>
Bonds Payable June 30, 2018		\$ 330,000
Bonds Issued		
Bonds Retired and Defeased		<u>(330,000)</u>
Bonds Payable June 30, 2019		<u>\$ -0-</u>
Bonds Payable June 30, 2017		\$ 645,000
Bonds Issued		
Bonds Retired and Defeased		<u>(315,000)</u>
Bonds Payable June 30, 2018		<u>\$ 330,000</u>

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

Total Debt Payable at June 30, 2018 is as follows:

<u>Year Ending June 30</u>	<u>2009 B Series</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 13,497	\$ 330,000	\$ 343,497
TOTAL	<u>\$ 13,497</u>	<u>\$ 330,000</u>	<u>\$ 343,497</u>

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

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

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

Capital Asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 6-30-17	Increases	Decreases	Balance 6-30-18
Land	\$ 674,846	\$ -	--	\$ 674,846
Building	1,460,214	10,302	--	1,470,516
Water System	19,193,080	400,409	--	19,593,489
Furniture	90,017	2,049	--	92,066
Vehicles	214,436	22,195	--	236,631
Equipment	394,468	10,707	--	405,175
Total	\$ 22,027,061	\$ 445,662	--	\$ 22,472,723

Note 6 **Contract Commitments**

At June 30, 2019, the District had two major construction contracts in progress:

Description	Project Cost as of June 30, 2019	Estimated Total Project Cost	Estimated Completion Date
Well No. 7 rehab	6,215	105,167	Fiscal year 2020
Plant A and B repainting	140,839	297,931	Fiscal year 2020

Note 7 **Pension Plan**

The Water Works District No. 1, Ward 1, 403(b) plan matches the employees' contributions (up to 10% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$59,149 in fiscal year 2019 and \$56,371 in fiscal year 2018, as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

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

This liability represents funds advanced to the District for the relocation of water lines due to highway expansion or relocation. This loan is non-interest bearing and is for an indefinite period of time. Traditionally, the State of Louisiana has made these loans and the governmental body is not expected to re-pay these loans. The Louisiana Department of Transportation (DOT) will not permit the District to locate any of its lines on state property until the debt is repaid. This restriction can be waived by the DOT and does when the health or welfare of the District's customers is affected.

Note 9 **Restricted Cash and Certificates of Deposit**

Restricted cash and certificates of deposit include monies restricted for bond requirements and refundable customer deposits.

Note 10 **Subsequent Events**

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

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

SCHEDULE 1

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

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2018</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2019</u>	<u>Balance 6/30/2018</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2019</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,470,516	-	-	1,470,516	407,837	39,667	-	447,504
Distribution System	9,156,788	702,291	-	9,859,079	4,449,126	195,185	-	4,644,311
Water Wells	406,742	47,662	-	454,404	375,589	3,894	-	379,483
Water Plant	6,866,834	764,348	-	7,631,182	3,838,258	274,528	-	4,112,786
Water Tank	3,163,125	-	-	3,163,125	1,488,010	113,495	-	1,601,505
Office Furniture	92,066	-	-	92,066	71,978	3,248	-	75,226
Vehicles	236,631	39,850	-	276,481	222,420	44,582	-	267,002
Equipment	405,175	51,303	-	456,478	311,111	-	-	311,111
Total	<u>\$ 22,472,723</u>	<u>\$ 1,605,454</u>	<u>\$ -</u>	<u>\$ 24,078,177</u>	<u>\$ 11,164,329</u>	<u>\$ 674,599</u>	<u>\$ -</u>	<u>\$ 11,838,928</u>

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

SCHEDULE 1A

SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2018

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2017</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2018</u>	<u>Balance 6/30/2017</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2018</u>
Land	\$ 674,846	\$ -	\$ -	\$ 674,846	\$ -	\$ -	\$ -	\$ -
Building	1,460,214	10,302	-	1,470,516	366,066	41,771	-	407,837
Distribution System	8,756,379	400,409	-	9,156,788	4,254,548	194,578	-	4,449,126
Water Wells	406,742	-	-	406,742	371,695	3,894	-	375,589
Water Plant	6,866,834	-	-	6,866,834	3,563,434	274,824	-	3,838,258
Water Tank	3,163,125	-	-	3,163,125	1,374,515	113,495	-	1,488,010
Office Furniture	90,017	2,049	-	92,066	66,379	5,599	-	71,978
Vehicles	214,436	22,195	-	236,631	207,644	14,776	-	222,420
Equipment	394,468	10,707	-	405,175	298,468	12,643	-	311,111
Total	<u>\$ 22,027,061</u>	<u>\$ 445,662</u>	<u>\$ -</u>	<u>\$ 22,472,723</u>	<u>\$ 10,502,749</u>	<u>\$ 661,580</u>	<u>\$ -</u>	<u>\$ 11,164,329</u>

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

SCHEDULE 2

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Production and Distribution:		
Personal Services	\$ 327,704	\$ 343,558
Repair & Maintenance:		
Equipment	21,578	19,249
Wells, plant & power	249,265	174,082
Taps & Lines	112,648	302,949
Power	128,780	138,322
Chemical	125,343	110,641
Truck	61,679	47,146
Supplies	4,746	4,815
Administrative fee to state for safe drinking water	71,820	94,104
Total production & distribution expenses	<u>1,103,563</u>	<u>1,234,866</u>
General and Administrative:		
Personal service-office	244,663	221,326
Personal service-meter reading	90,638	59,381
Insurance	126,950	124,157
Office operations	9,459	7,731
Computer maintenance and software	6,423	4,099
Payroll taxes	53,190	50,263
Communications	14,036	14,360
Legal and professional	29,728	26,725
Utilities	12,024	13,598
Postage	34,789	34,700
Meeting expenses and per diem	11,350	11,827
Billing and collection	13,329	10,099
Miscellaneous	565	3,262
Employees benefits	221,197	205,537
Janitorial	4,239	4,080
Conferences, workshops & certificates	5,555	3,817
Bad Debt	14,797	11,260
Total general & administrative expenses	<u>\$ 892,932</u>	<u>\$ 806,222</u>

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

SCHEDULE 3

CASH BALANCES AT JUNE 30, 2019

Detail of Cash Accounts:

Name of Bank	General Ledger	Bank Cash Balance
A. Jeff Davis Bank	\$ 11,034	\$ 11,040
B. Capital One Capital Improvements	106	106
C. Cash on Hand	800	-
D. Chase Bank	1,664,962	1,664,962
E. Chase Bank	1,120,866	1,187,096
F. Capital One Customer Deposits	(9,356)	34,264
Total	<u>\$ 2,788,412</u>	<u>\$ 2,897,468</u>

Division of Cash

Restricted:

A. Reserve for customer deposits	\$ 244,515
Total Restricted Cash	<u>244,515</u>

Unrestricted Cash

Total Restricted and Unrestricted Cash	<u>\$ 2,788,412</u>
--	---------------------

Pledged collateral and FDIC

<u>Bank</u>	<u>Total</u>	<u>FDIC</u>	<u>Collateral</u>	<u>(Over)/Short</u>
Capital One	\$ 34,370	\$ 34,370	\$ -	\$ -
Chase	2,852,058	500,000	2,502,000	(149,942)
Jeff Davis	11,040	11,040	-	-

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

SCHEDULE 4

**SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

Commissioners:	Expiration of term	2019		2018	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
Rev. Joseph Thomas		\$ 1,400	14	\$ 2,400	24
Joshua Thomas	Sept. 2022	100	1	-	-
Donna DeBarge	Sept. 2022	2,400	24	2,400	24
Tim Aguilard	Sept. 2021	2,000	20	1,600	16
Earl O'Quinn III	Sept. 2020	2,400	24	2,400	24
Glen Franklin	Sept. 2019	<u>2,300</u>	<u>23</u>	<u>2,400</u>	<u>24</u>
Total Per Diem		<u>\$ 10,600</u>	<u>106</u>	<u>\$ 11,200</u>	<u>112</u>

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

SCHEDULE 5

**SCHEDULE OF INSURANCE IN FORCE
June 30, 2019**

Fire, Lightning and Extended Coverage:

Combined Limit:

Buildings and contents \$ 6,325,202

Comprehensive General and Automobile Liability:

Bodily Injury:

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

Standard Workman's Compensation:

(Limits to \$100,000) 1,000,000

General Liability and Property Damage: 1,000,000

Crime Coverage

Per occurrence 100,000

Public Officials Liability 1,000,000

Pollution (Limited) Coverage

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

**WATER WORKS DISTRICT NO. 1, WARD 1
 CALCASIEU PARISH, LOUISIANA
 MOSS BLUFF, LOUISIANA
 June 30, 2019
 SCHEDULE OF RATES**

SCHEDULE 6

A. Water Rate Classification and Schedule:

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

B. Deposits and Service Charges (Revised)

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

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

D. No free service will be allowed.

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

WATERWORKS DISTRICT 1 OF WARD 1 OF CALCASIEU PARISH, LOUISIANA

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

Year Ended June 30, 2019

Agency Head: Earl O'Quinn III, Board President

Purpose	Amount
Commissioner Fees	\$2,400
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 23, 2019

**WATERWORKS DISTRICT NO. 1 OF WARD 1
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
June 30, 2019**

A. Summary of Independent Auditor's Results:

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

B. GAGAS Finding:

None reported.

C. Prior Year Findings:

None reported.

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

**Independent Accountant's Report On Applying
Agreed-Upon Procedures**

July 1, 2018 – June 30, 2019

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

**Independent Accountant's Report On Applying
Agreed-Upon Procedures**

July 1, 2018 – June 30, 2019

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings: The District does not have a written Disaster Recovery/Business Continuity policy. The Board will adopt a written policy to address this function.

Board (or Finance Committee, if applicable)

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Bank Reconciliations

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Collections

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Non – Payroll Disbursements –(excluding credit card purchases/payments, and petty cash purchases)

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

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

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

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

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Travel and Expense Reimbursement

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Contracts

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Payroll and Personnel

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

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Ethics

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Debt Service

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Other

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

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

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

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

Steven M. DeRouen & Associates

December 23, 2019
Lake Charles, Louisiana