

**FOURTH WARD WATERWORKS ASSOCIATION, INC.**  
**ALBANY, LOUISIANA**

---

**ANNUAL FINANCIAL STATEMENTS**

**As of and for the Year Ended December 31, 2020**



**Hebert Johnson  
& Associates, Inc.**  
Certified Public Accountants

---

*A Professional Accounting Corporation*

---

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

Table of Contents  
December 31, 2020

	Statement	Page
Independent Auditor’s Report.....		1
Statement of Financial Position .....	A	4
Statement of Activities.....	B	5
Statement of Cash Flows .....	C	7
Notes to the Financial Statements.....		9
Supplementary Information:		
Schedule of Entity Officials .....		17
Schedule of Water Rates and Water Customers.....		18
Schedule of Insurance .....		19
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....		21
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 .....		22
Schedule of Prior Year Audit Findings.....		24
Schedule of Current Year Audit Findings and Responses.....		25

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants



**Hebert Johnson  
& Associates, Inc.**  
Certified Public Accountants

18435 HIGHWAY 22, STE. 2  
P.O. BOX 1151  
PONCHATOULA, LA 70454  
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B  
P.O. BOX 520  
ALBANY, LA 70711  
(225) 209-6627 • FAX (225) 209-6625

---

A P R O F E S S I O N A L   A C C O U N T I N G   C O R P O R A T I O N

---

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***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***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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, 2020, 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.

***Other Matter***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 21 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2021, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fourth Ward Waterworks Association's internal control over financial reporting and compliance.

*Chris Johnson*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
May 3, 2021

## Financial Statements

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

**Statement A**

**Statement of Financial Position**  
**December 31, 2020**

**Assets**

**Current Assets:**

Cash & Cash Equivalents	\$ 327,026
Investments	240,737
Inventory	32,406
Accounts Receivable, Net	52,734
Accrued Billings	10,872
Prepaid Insurance	15,743
Total Current Assets	<u>679,518</u>

**Restricted Assets:**

Restricted Cash and Cash Equivalents	<u>241,558</u>
Total Restricted Cash and Cash Equivalents	<u>241,558</u>

**Property, Plant & Equipment:**

Land	23,476
Capital Assets, Net	<u>2,197,265</u>
Total Property, Plant & Equipment	<u>2,220,741</u>

Total Assets \$ 3,141,817

**Liabilities and Net Assets**

**Current Liabilities:**

Accrued Payables	\$ 2,085
Payroll Liabilities	4,774
Accrued Interest	4,831
Note Payable - Current Portion	103,293
Total Current Liabilities	<u>114,983</u>

**Noncurrent Liabilities:**

Members' Deposits	117,225
Note Payable - Long Term	300,919
Total Noncurrent Liabilities	<u>418,144</u>
Total Liabilities	<u>533,127</u>

**Net Assets:**

Without Donor Restrictions	<u>2,608,690</u>
Total Net Assets	<u>2,608,690</u>
Total Liabilities and Net Assets	<u>\$ 3,141,817</u>

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, 2020**

	<u>Without Donor Restrictions</u>
<b>Operating Revenues:</b>	
Water Sales	\$ 613,202
DHH Fees	18,291
Miscellaneous Income	86,300
Total Operating Revenues	<u>717,793</u>
 <b>Operating Expenses:</b>	
Accounting	3,375
Auto Expense	3,232
Bad Debt	697
Bank Charges	2,191
Billing Fees	2,013
Depreciation	136,431
Dues	600
Electricity	18,356
Insurance	19,531
Licenses	2,822
Office Supplies	605
Outside Services	3,905
Per Diem, Board Members	5,300
Postage	7,121
Professional	5,000
Repairs & Maintenance	28,160
Retirement	4,050
Safe Drinking Water Fees	17,157
Salaries	202,499
Taxes, Payroll	15,634
Telephone	5,245
Utilities	1,492
Water System Supplies	23,087
Water Treatment	17,966
Total Operating Expenses	<u>526,469</u>
<b>Operating Income</b>	<u>191,324</u>

(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, 2020**

	<u>Without Donor Restrictions</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	\$ 2,310
Bond Interest	<u>(28,520)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(26,210)</u>
<b>Change in Net Assets</b>	165,114
<b>Net Assets, Beginning</b>	2,469,751
Prior Period Adjustment (Note 12)	<u>(26,175)</u>
<b>Net Assets, Beginning (Restated)</b>	<u>2,443,576</u>
<b>Net Assets, Ending</b>	<u>\$ 2,608,690</u>

(Concluded)

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, 2020**

<b>Cash Flows From Operating Activities</b>	
Received from Customers	\$ 722,636
Payments for Operations	(172,923)
Payments for Employees	(221,919)
Net Cash Provided by Operating Activities	<u>327,794</u>
 <b>Cash Flows From Investing Activities</b>	
Purchase of Property, Plant, & Equipment	(12,862)
Receipt of Interest	2,310
Increase in Investment	(1,721)
Net Cash Used by Investing Activities	<u>(12,273)</u>
 <b>Cash Flows From Financing Activities</b>	
Repayment of Debt Principal	(97,680)
Interest Payments	(26,929)
Net Cash Used by Financing Activities	<u>(124,609)</u>
<b>Net Increase in Cash</b>	190,912
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>377,672</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 568,584</u></u>
 <b>Reconciliation of Cash and Cash Equivalents to Statement of Financial Position:</b>	
Cash and Cash Equivalents, Unrestricted	\$ 327,026
Cash and Cash Equivalents, Restricted	241,558
Total Cash and Cash Equivalents	<u><u>\$ 568,584</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, 2020**

<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 191,324
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	136,431
(Increase) Decrease in Accounts Receivable	1,102
(Increase) Decrease in Accrued Billings	(1,603)
(Increase) Decrease in Inventory	41
(Increase) Decrease in Prepaid Insurance	(1,682)
Increase (Decrease) in Accrued Payables	(3,483)
Increase (Decrease) in Customer Deposits Payable	5,400
Increase (Decrease) in Payroll Liabilities	264
Net Cash Provided by Operating Activities	<u>\$ 327,794</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

**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 1,563 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 on a monthly basis, 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

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

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

more than 90 days.

**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, 2020, the amount of prepaid insurance totaled \$15,743.

**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, 2020, 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, 2020**

**L. Restricted Cash**

Members' deposits are classified as restricted assets. Certain resources set aside for the repayment of the notes 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, 2020, the Association had deposits in excess of the FDIC insurance by \$396,157.

**2. Financial Assets and Liquidity Resources**

As of December 31, 2020, 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	\$ 330,718
Investments	240,737
Accounts Receivable, Net	<u>52,734</u>
Total Financial Assets Available within One Year	<u>624,189</u>

Total Financial Assets and Liquidity Resources

Available within One Year	\$ <u><u>624,189</u></u>
---------------------------	--------------------------

**3. Cash and Cash Equivalents**

At December 31, 2020, the Association had cash and cash equivalents totaling \$568,584 (book balances) as follows:

Demand Deposits	\$ 327,026
Money Market	<u>241,558</u>
Total Cash and Cash Equivalents	<u><u>\$ 568,584</u></u>

**4. Investments**

Investments held at December 31, 2020 consist of \$76,575 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by the Louisiana

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

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

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, 2020 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, 2020 was \$164,162.

**5. Inventories**

At December 31, 2020, the Association had inventories consisting of the following:

Water System Supplies	\$	18,088
Water Chemicals		<u>14,318</u>
Total	\$	<u><u>32,406</u></u>

**6. Receivables**

The following is a summary of receivables at December 31, 2020:

	<u>Beginning</u>	<u>Ending</u>
Accounts	\$ 57,719	\$ 56,617
Accrued Billings	9,269	10,872
Allowance for Bad Debt	<u>(3,883)</u>	<u>(3,883)</u>
Net Accounts Receivable	\$ <u><u>63,105</u></u>	\$ <u><u>63,606</u></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, 2020 totaled \$10,872.

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, 2020**

**7. Restricted Assets**

At December 31, 2020, the Association had restricted assets as follows:

Debt Service Reserve Account	\$	124,333
Members' Deposit Account		117,225
<b>Total Restricted Assets</b>	<b>\$</b>	<b>241,558</b>

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, 2020.

**8. Property, Plant and Equipment**

A summary of changes in capital assets during the fiscal year ending December 31, 2020 is as follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Capital Assets				
Land	\$ 23,476	\$ -	\$ -	\$ 23,476
Building	19,637	-	-	19,637
Equipment & Furniture	106,262	-	-	106,262
Water Distribution System	4,187,099	12,862	-	4,199,961
Total Capital Assets	4,336,474	12,862	-	4,349,336
Less Accumulated Depreciation	(1,992,164)	(136,431)	-	(2,128,595)
Total Capital Assets, Net	\$ 2,344,310	\$ (123,569)	\$ -	\$ 2,220,741

Depreciation expense for the fiscal year ending December 31, 2020, totaled \$136,431.

**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, 2020, the balance in this account is \$117,225.

**10. Pension Plan**

The Fourth Ward Waterworks Association, Inc. participates in a Simple IRA Retirement Plan. The Association makes a contribution of two (2) percent of all employees' annual income. At December 31, 2020, the association recorded retirement expense of \$4,050.

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

**Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**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 \$8,400 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, 2019	Payments	Balance December 31, 2020	Due Within One Year
Series 2011	\$ 510,292	\$ 97,680	\$ 412,612	\$ 103,293

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

Year Ending December 31	Principle	Interest	Total
2021	\$ 103,293	\$ 21,313	\$ 124,606
2022	109,289	15,319	124,608
2023	115,630	8,978	124,608
2024	84,400	2,186	86,586
	\$ 412,612	\$ 47,796	\$ 460,408

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.

**12. Prior Period Adjustment**

The Association made the following prior period adjustment to adjust customer deposits payable to the correct amount as of December 31, 2019:

December 31, 2019 Net Assets	\$ 2,469,751
Adjust Customer Deposits Payable to Actual	(26,175)
December 31, 2019 Net Assets as Restated	\$ 2,495,926



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

**Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**13. Subsequent Event**

Management has evaluated subsequent events through May 3, 2021, the date which the financial statements were available to be issued, and determined that no events occurred that require disclosure.

## 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, 2020**

	<u>Usage</u>	<u>Rate</u>
Residential Water Rates:	0 - 2,000 gallons	\$18.00 flat rate
	Over 2,000 gallons	\$3.50 per 1,000 gallons \$1.00 DHH Fee
Residential Customers:	1,542 customers	
Non-residential Customers:	21 customers	

See Auditor's Report.

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

**Schedule of Insurance  
December 31, 2020**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
Glatfelter Insurance Group		
Policy No. GPPAPF605486801	<b>Property</b>	
Policy Period: 01/01/21-01/01/22	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 Burgulary	\$100,000 Per Occurrence
	Outside the Premises Computers and	\$100,000 Per Occurrence
	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, 2020**

<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: 01/04/21-01/04/22	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: 01/01/19-01/01/21	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, 2020**

Manager: Sid Kinchen

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 69,121
Retirement Benefits	1,382
Per Diem - Board Meetings	1,100
Travel	1,138
Total Payments	\$ <u>72,741</u>

See Auditor's Report.

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants



**Hebert Johnson  
& Associates, Inc.**  
Certified Public Accountants

18435 HIGHWAY 22, STE. 2  
P.O. BOX 1151  
PONCHATOULA, LA 70454  
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B  
P.O. BOX 520  
ALBANY, LA 70711  
(225) 209-6627 • FAX (225) 209-6625

---

A P R O F E S S I O N A L   A C C O U N T I N G   C O R P O R A T I O N

---

**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, 2020, 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 3, 2021.

**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 2020-1 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.

*Chris Johnson*

Hebert Johnson & Associates, Inc.  
A Professional Accounting Corporation  
Albany, Louisiana  
May 3, 2021

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

**Schedule of Prior Year Audit Findings**  
**For the Year Ended December 31, 2020**

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

**2019-1 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 on a monthly basis.

**Resolved:**

See Finding 2020-1

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

**Schedule of Current Year Audit Findings and Responses  
December 31, 2020**

We have audited the basic financial statements of Fourth Ward Waterworks Association, Inc. as of and for the year ended December 31, 2020, and have issued our report thereon dated May 3, 2021. 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, 2020 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**

**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.

**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, 2020**

**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 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.