

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

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

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 27
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	28 - 29
Schedule of Findings and Responses	30 - 31
Schedule of Compensation, Benefits and Other Payments	32
Schedule of Changes in Total OPEB Liability	33

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## INDEPENDENT AUDITOR'S REPORT

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

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

I have audited the accompanying financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2019 on my consideration of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
December 11, 2019

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2019**

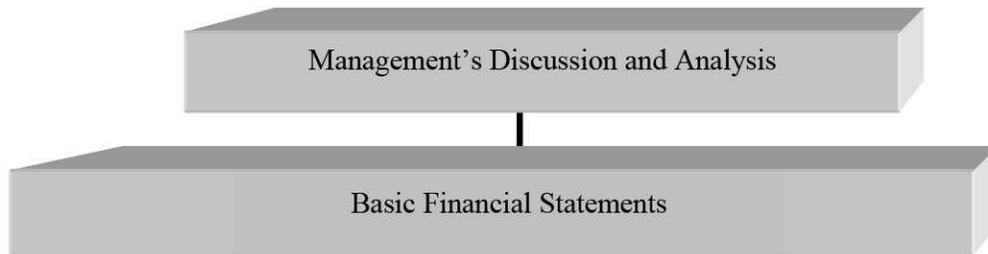
The Management’s Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2019. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2019 by \$3,049,224 which represents a 8.6% increase from last fiscal year. Of this amount, \$295,459 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue decreased \$30,121 (or 3.3%) and the net loss from operations increased by \$51,609.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2019**

**Basic Financial Statements**

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

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

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

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

**FINANCIAL ANALYSIS OF THE ENTITY**

	2019	2018	2017
Current assets	\$ 825,500	\$ 844,524	\$ 993,374
Capital assets	4,144,459	4,215,263	3,230,020
Total assets	<u>4,969,959</u>	<u>5,059,787</u>	<u>4,223,394</u>
Other liabilities	244,541	399,861	246,237
Long-term debt outstanding	1,676,194	1,852,281	1,960,753
Total liabilities	<u>1,920,735</u>	<u>2,252,142</u>	<u>2,206,990</u>
Net position:			
Net investment in capital assets	2,685,459	2,569,763	1,338,020
Amounts restricted for debt service	68,306	101,450	264,992
Unrestricted amounts	295,459	136,432	413,392
Total net position	<u>\$ 3,049,224</u>	<u>\$ 2,807,645</u>	<u>\$ 2,016,404</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2019**

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

The net position of the District increased by \$241,579, or 8.6%, from June 30, 2018 to June 30, 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 891,442	\$ 921,563	\$ 908,209
Operating expenses	<u>(958,817)</u>	<u>(937,329)</u>	<u>(980,959)</u>
Operating income (loss)	(67,375)	(15,766)	(72,750)
Non-operating revenues (expenses)	<u>308,954</u>	<u>945,035</u>	<u>206,795</u>
Net increase (decrease) in net position	<u>\$ 241,579</u>	<u>\$ 929,269</u>	<u>\$ 134,045</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2019, the District had \$4,144,459, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See table below) This amount represents a net decrease (including additions and deductions) of \$70,804, or 1.6%, from last year.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Plant and Distribution System	7,009,973	6,902,898	5,678,495
Furniture, Fixtures, and Equipment	204,056	200,056	200,056
Construction in Progress	-	-	85,058
Less Accumulated Depreciation	<u>(3,090,934)</u>	<u>(2,909,055)</u>	<u>(2,754,953)</u>
Totals	<u>\$ 4,144,459</u>	<u>\$ 4,215,263</u>	<u>\$ 3,230,020</u>

This year's significant capital additions included above were:

- Taps/Bores \$ 58,797
- Scada Monitoring System \$ 37,249

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2019**

**Debt**

The District had \$1,459,000 in bonds outstanding at year-end, compared to \$1,645,500 last year, a decrease of 11.3%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue Bonds	\$ 1,300,000	\$ 1,460,000	\$ 1,615,000
General Obligation Bonds	-	-	65,000
Certificates of Indebtedness	<u>159,000</u>	<u>185,500</u>	<u>212,000</u>
Totals	<u>\$ 1,459,000</u>	<u>\$ 1,645,500</u>	<u>\$ 1,892,000</u>

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

The District's Series 1998 General Obligation Bonds and Water Revenue Refunding Bonds, 2012 Series, are un-rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

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

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

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 205,129	\$ 90,493
Restricted assets:		
Cash and cash equivalents	216,481	237,726
Investments	241,869	238,549
Receivables (net of allowances for uncollectibles of \$5,730 for 2019 and \$7,327 for 2018):		
Water sales	87,472	107,271
Unbilled water sales	51,584	48,459
Ad Valorem taxes	582	582
Other receivables	-	97,136
Prepaid expenses	22,383	24,308
Total Current Assets	825,500	844,524
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Plant and distribution system	7,009,973	6,902,898
Furniture, fixtures, and equipment	204,056	200,056
	7,214,029	7,102,954
Less accumulated depreciation	(3,090,934)	(2,909,055)
	4,123,095	4,193,899
Land and right of ways	21,364	21,364
Net Property, Plant, and Equipment	4,144,459	4,215,263
<b>TOTAL ASSETS</b>	<b>\$ 4,969,959</b>	<b>\$ 5,059,787</b>

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

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

	<b>2019</b>	<b>2018</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,714	\$ 173,206
Accrued wages	24,671	20,517
Payroll taxes and retirement payable	10,612	17,813
Total Current Liabilities	45,997	211,536
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Accrued interest	4,319	4,985
Due within one year - revenue bonds	165,000	160,000
Due within one year - excess revenue certificates of indebtedness	26,500	26,500
Refundable customer deposits	194,225	183,340
Total Current Liabilities (Payable From Restricted Assets)	390,044	374,825
<b>LONG-TERM LIABILITIES</b>		
Due in more than one year - revenue bonds	1,135,000	1,300,000
Due in more than one year - excess revenue certificates of indebtedness	132,500	159,000
OPEB payable	217,194	206,781
Total Long-Term Liabilities	1,484,694	1,665,781
<b>TOTAL LIABILITIES</b>	<b>1,920,735</b>	<b>2,252,142</b>
<b>NET POSITION</b>		
Net investment in capital assets	2,685,459	2,569,763
Amounts restricted for debt service	68,306	101,450
Unrestricted amounts	295,459	136,432
<b>TOTAL NET POSITION</b>	<b>\$ 3,049,224</b>	<b>\$ 2,807,645</b>

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

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

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 846,519	\$ 881,568
Tap fees	44,923	39,995
Total Operating Revenues	<u>891,442</u>	<u>921,563</u>
<b>OPERATING EXPENSES</b>		
Salaries	383,538	361,836
Payroll taxes and employee benefits	34,078	26,181
Retirement expense	19,184	17,926
Insurance	109,606	117,146
Legal and accounting fees	16,000	16,711
Office supplies	8,821	11,321
Plant supplies	46,974	70,402
Repairs and maintenance	50,500	59,859
Truck expense	10,384	6,634
Utilities and telephone	52,589	46,874
Depreciation	181,879	154,102
Bank charges	6,025	5,256
Dues and fees	3,685	5,652
Commissioners per diem	5,700	7,500
Bad debt expense	-	1,850
Miscellaneous	29,854	28,079
Total Operating Expenses	<u>958,817</u>	<u>937,329</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(67,375)</u>	<u>(15,766)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes	296,385	272,063
Interest income	6,972	1,348
Interest expense	(60,402)	(67,358)
State and Police Jury grant revenues	58,423	734,656
Miscellaneous income (expense)	7,576	4,326
Total Non-Operating Revenues (Expenses)	<u>308,954</u>	<u>945,035</u>
<b>CHANGE IN NET POSITION</b>	241,579	929,269
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	2,807,645	2,016,404
<b>PRIOR PERIOD ADJUSTMENT - IMPLEMENTATION OF GASB 75 (AS DESCRIBED IN NOTE 12)</b>	<u>-</u>	<u>(138,028)</u>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<u>2,807,645</u>	<u>1,878,376</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,049,224</u>	<u>\$ 2,807,645</u>

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

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

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 898,116	\$ 895,968
Payments to suppliers and other	(412,044)	(365,382)
Payments to employees	(400,074)	(361,836)
Net Cash Provided (Used) for Operating Activities	85,998	168,750
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale (purchase) of investments	(3,320)	-
Interest earned	6,972	1,348
Net Cash Provided (Used) for Investing Activities	3,652	1,348
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital expenditures	(208,211)	(1,042,209)
Principal payments on bonds	(186,500)	(246,500)
Interest expense	(61,068)	(68,939)
Cash received for ad valorem taxes	296,385	272,063
State and Police Jury grant receipts	155,559	637,520
Miscellaneous	7,576	2,906
Net Cash Provided (Used) for Capital and Related Financing Activities	3,741	(445,159)
Net Increase (Decrease) in Cash and Cash Equivalents	93,391	(275,061)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	328,219	603,280
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 421,610	\$ 328,219
<b>Cash and Cash Equivalents:</b>		
Unrestricted	\$ 205,129	\$ 90,493
Restricted	216,481	237,726
	\$ 421,610	\$ 328,219

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

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

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (67,375)	\$ (15,766)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	181,879	154,102
Provisions for bad debts	(1,597)	1,850
(Increase) decrease in accounts receivable	115,407	(26,025)
(Increase) decrease in prepaid expense	1,925	(3,480)
Increase (decrease) in accounts payable and other accrued expenses	(165,539)	44,499
Increase (decrease) in restricted refundable customer deposits	10,885	13,570
Increase (decrease) in accrued OPEB payable	10,413	-
Total Adjustments	153,373	184,516
Net Cash Provided (Used) by Operating Activities	\$ 85,998	\$ 168,750
 <b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 61,068	\$ 68,939

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

*Note 1 - Summary of Significant Accounting Policies*

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

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

A. Financial Reporting Entity

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

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

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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

**B. Fund Accounting**

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

**C. Basis of Accounting**

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

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

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

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

D. Fixed Assets

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

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

Depreciation expense amounted to \$181,879 for the year ended June 30, 2019, and \$154,102 for the year ended June 30, 2018.

E. Estimates

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

F. Accounts Receivable

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

G. Prior Year Balances

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

H. Cash and Cash Equivalents

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

I. Budgets and Budgetary Accounting

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

***Note 2 - Ad Valorem Taxes***

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

For the year ended December 31, 2018, taxes of 5.51 mills were levied on property with net assessed valuations of approximately \$55,735,290. Total taxes levied, net of pension funds, were \$297,415. The 5.51 mills were dedicated to the maintenance fund.

***Note 3 - Changes in Long-Term Debt***

The following is a summary of long-term debt payable transactions of the District for the year ended June 30, 2019 and 2018:

	General Obligation	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2018	\$ -0-	\$ 1,460,000	\$ 185,500	\$ 1,645,500
Debt Retired	<u>-0-</u>	<u>(160,000)</u>	<u>(26,500)</u>	<u>(186,500)</u>
Outstanding at June 30, 2019	<u>\$ -0-</u>	<u>\$ 1,300,000</u>	<u>\$ 159,000</u>	<u>\$ 1,459,000</u>
	General Obligation	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2017	\$ 65,000	\$ 1,615,000	\$ 212,500	\$ 1,892,000
Debt Retired	<u>(65,000)</u>	<u>(155,000)</u>	<u>(26,500)</u>	<u>(246,500)</u>
Outstanding at June 30, 2018	<u>\$ -0-</u>	<u>\$ 1,460,000</u>	<u>\$ 185,500</u>	<u>\$ 1,645,000</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

Long-term debt at June 30, 2019 and 2018 consisted of the following:

<u>General Obligation Bonds:</u>	<u>2019</u>	<u>2018</u>
\$800,000 General Obligation Bonds, Series 1998, of Waterworks District No. 11 of Wards 4 and 7 of the Parish of Calcasieu, Louisiana; dated June 1, 1999; due in annual installments including interest at 4.10% to 5.10% through the year 2018	\$ -0-	\$ -0-
 <u>Revenue Bonds:</u>		
\$2,365,000 Water Revenue Refunding Bonds, 2012 Series, dated April 19, 2012; due in annual installments of \$34,248 to \$219,663 through June 1, 2026, interest at 1.25% to 4.25%	\$ 1,300,000	\$ 1,460,000
 <u>Certificates of Indebtedness:</u>		
\$265,000 Excess Revenue Certificates of Indebtedness, Series 2014, dated October 21, 2014; due in annual installments of \$26,872 to \$30,223 through October 1, 2024, interest at 2.81%	\$ 159,000	\$ 185,500

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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

The annual requirements to amortize all debt outstanding as of June 30, 2018, are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 160,000	\$ 55,356	\$ 215,356
2020	165,000	50,556	215,556
2021	170,000	45,400	215,400
2022	180,000	39,663	219,663
2023	185,000	33,363	218,363
2024-2026	<u>600,000</u>	<u>51,850</u>	<u>651,850</u>
Total	<u>\$ 1,460,000</u>	<u>\$ 276,188</u>	<u>\$ 1,736,188</u>

<u>Certificates of Indebtedness</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 26,500	\$ 4,850	\$ 31,350
2020	26,500	4,096	30,596
2021	26,500	3,351	29,851
2022	26,500	2,606	29,106
2023	26,500	1,861	28,361
2024-2025	<u>53,000</u>	<u>1,490</u>	<u>54,490</u>
Total	<u>\$ 185,500</u>	<u>\$ 18,254</u>	<u>\$ 203,754</u>

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

***Note 4 - Compliance with Bond Covenants***

The revenue bond agreement contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending June 30, 2019 and 2018.

***Note 5 - Restricted Assets***

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

	2019	2018
Bond Redemption Fund	\$ 991	\$ 824
Sinking Fund	22,430	19,110
Reserve Fund	219,690	219,690
Construction Fund	21,014	53,311
Customer Deposits	<u>194,225</u>	<u>183,340</u>
	<u>\$ 458,350</u>	<u>\$ 476,275</u>

***Note 6 - Cash, Cash Equivalents, and Investments***

At June 30, 2019 and 2018, the District had cash and cash equivalents (book balances) totaling \$421,610 and \$328,219, respectively.

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

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

At June 30, 2019, the District had \$449,592 in deposits (collected bank balances). These deposits are secured from risk by \$449,592 of federal deposit insurance. No pledged securities were required at June 30, 2019 and none was held in a custodial bank in the District's name.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

At June 30, 2018, the District had \$390,410 in deposits (collected bank balances). These deposits are secured from risk by \$390,410 of federal deposit insurance and \$228,077 of pledged securities held in a custodial bank in the District's name.

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

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

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$241,869 as of June 30, 2019 and \$238,549 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 AAA by Standard & Poor's. The District does not have credit risk policies for investments.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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 33 days as of June 30, 2019. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

*Note 7 - Capital Assets*

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

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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Construction in Progress	85,058	- 0 -	85,058	-0-
Capital Assets Being Depreciated:				
Plant and Distribution System	5,678,495	1,224,403	-0-	6,902,898
Furniture, Fixtures, & Equipment	200,056	-0-	-0-	200,056
Total Capital Assets being Depreciated	5,878,551	1,224,403	-0-	7,102,954
Less Accumulated Depreciation	2,754,953	154,102	-0-	2,909,055
Total Capital Assets Being Depreciated, Net of Depreciation	3,123,598	1,070,301	- 0 -	4,193,899
Total Capital Assets, Net	\$3,230,020	\$1,070,301	\$ 85,058	\$ 4,215,263

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

***Note 8 - Board of Commissioners' Fees***

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

	2019	2018
Neva Martin	\$ 1,200	\$ 1,600
Ronnie Bowers	1,300	1,600
Robert Barrentine	1,200	1,500
Wayne Moreau	-0-	900
Don Fruge	1,000	600
Mike Guidry	1,000	1,300
Total	\$ 5,700	\$ 7,500

***Note 9 - Defined Contribution Plan***

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

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

During the year ending June 30, 2018, contributions by the District amounted to \$17,926, covering all of the District's payroll of \$361,836.

***Note 10 - Risk Management***

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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

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

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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

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

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

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

The total OPEB liability for the January 1, 2018 actuarial valuation, with a measurement date of December 31, 2018, and inclusive of the measurement period of January 1, 2018 through December 31, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	3.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 4.24%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.64%, and (c) Fidelity GA AA 20 Years - 3.83%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

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

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year**	\$25,039,864	\$25,039,864	\$14,351,285	\$39,391,149
Current Period Changes:				
Service Cost	382,305	382,305	237,542	619,847
Interest on Total OPEB Liability	960,849	960,849	551,702	1,512,551
Differences Between Expected and Actual Experience	-	-	-	-
Benefit Payments	(805,452)	(805,452)	(410,129)	(1,215,581)
Net Change in Total OPEB Liability	537,702	537,702	379,115	916,817
<b>Total OPEB Obligation at End of Year – Measurement Date</b>	<b>\$25,577,566</b>	<b>\$25,577,566</b>	<b>\$14,730,400</b>	<b>\$40,307,966</b>
** GASB 75 was implement in 2018 therefore the beginning total OPEB liability was restated as of the actuarial valuation date.				

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish’s and District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.9%) or one percentage point higher (4.9%) than the current discount rate of 3.9%:

	1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
Total OPEB Liability Parish	\$33,051,853	\$40,307,966	\$50,638,773
Total OPEB Liability District	\$178,095	\$217,194	\$272,861

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish’s and District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8% to 7%) or one percentage point higher (8% to 9%) than the current healthcare cost trend rate of 3.9%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$32,000,087	\$40,307,966	\$52,072,513
Total OPEB Liability District	\$172,428	\$217,194	\$280,586

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the District recognized OPEB expense of \$10,413. At December 31, 2018, the Parish did not report any deferred outflows of resources or deferred inflows of resources related to OPEB since this was the first year of implementation for GASB 75 and the valuation was inclusive of January 1, 2018 through December 31, 2018 activity.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
June 30, 2019 and 2018**

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

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

Net OPEB Obligation at June 30, 2018	\$ 206,781
Current Period Changes:	
Service Cost	4,214
Interest on Total OPEB Liability	8,029
Differences Between Expected and Actual	
Experience	-0-
Benefit Payments	( 1,830)
Net Change in Total OPEB Liability	10,413
Net OPEB Obligation at June 30, 2019	<u>\$ 217,194</u>
District's Proportionate Percentage of Total Parish OPEB Obligation	0.5%
Change in Total Parish OPEB Obligation Since the Prior Measurement Date	-%

***Note 12 -Prior Period Adjustment***

The District implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB 45. GASB 75 requires public employers to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statement of the employer. As a result of this implementation, the beginning net position previously reported at June 30, 2018, has been restated to reflect the net OPEB liability as of that measurement date. The beginning June 30, 2018 balance of net position was restated as follows:

Net position – beginning, as previously reported	\$ 2,016,404
Prior period adjustment – Implementation of GASB 75	( 138,028)
Net position – beginning, as restated	<u>\$ 1,878,376</u>

***Note 13 - Subsequent Events***

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

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated December 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control.

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

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

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

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

### **Compliance and Other Matters**

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

### **District's Response to Findings**

The District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### **Purpose of this Report**

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
December 11, 2019

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**A. Summary of Independent Auditor's Results:**

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2019-01; material weakness in internal control – refer to B. 2019-02.
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

**2019-01 Segregation of Duties –**

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

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

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

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

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

**2019-02 Financial Statement Reporting –**

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

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

Effect: Misstatements in financial statements could go undetected.

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

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019**

**C. Summary of Prior Year Findings:**

**2018-01 Segregation of Duties** - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

**2018-02 Financial Statement Reporting** – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

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

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

**Year Ended June 30, 2019**

**Agency Head: Ronnie Bowers, Board President**

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

**Note: This schedule is included as supplementary information.**

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

**OTHER POSTEMPLOYMENT BENEFITS –  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019<sup>(1)</sup>**

	<b>2019</b>
Total OPEB Liability	
Service Cost	\$ 4,214
Interest on Total OPEB Liability	8,029
Differences Between Expected and Actual Experience	-
Benefit Payments	(1,830)
Net Change in Total OPEB Liability	10,413
Total OPEB Liability at Beginning of Year	206,781
Total OPEB Obligation at End of Year	\$ 217,194
Covered Employee Payroll	\$ 287,849
Total OPEB Liability as a Percentage of Covered	75.45%

Notes to the Schedule:

- (1) This schedule is intended to report information for ten years. Data for the full ten year period is not available but will be reported as the additional years become available.
- (2) Changes of Benefit Terms: There were no changes in benefit terms for 2018 which is the first year of implementation for Governmental Accounting Standards Board Statement (GASB) No. 75.
- (3) Changes of Assumptions: There were no changes in benefit terms for 2018 which is the first year of implementation for GASB Statement No. 75.
- (4) There were no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

**July 1, 2018 – June 30, 2019**

# STEVEN M. DEROUEN & ASSOCIATES

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Member Louisiana Society of  
Certified Public Accountants

## **AGREED-UPON PROCEDURES REPORT WATERWORKS DISTRICT NO. 11 OF WARDS 4 & 7 OF CALCASIEU PARISH, LOUISIANA**

### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD OF JULY 1, 2018 THROUGH JUNE 30, 2019**

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Waterworks District No. 11 of Wards 4 & 7 of Calcasieu Parish, Louisiana (Entity) 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 fiscal 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
  - 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - 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.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/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.

***Finding: The District does not have written policies concerning Ethics, Debt Service, or Disaster Recover/Business Continuity.***

***Management Response: The District is continuing to develop the necessary policies and procedures to address these areas. The District will complete the above policies and put such policies in a written document and implement these policies and procedures.***

#### Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

***There were no findings noted in the testing of "Board or Finance Committee" in prior years, therefore the above procedures are not applicable.***

#### Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

***Finding: A member of management or board of commissioners has not reviewed the bank reconciliations.***

***Management Response: Management and or the board of commissioners will implement the policy of reviewing the monthly bank statement reconciliations.***

***Finding: Outstanding items in excess of six months have not been turned over to the State's Unclaimed Funds.***

***Management Response: The District will implement a policy of forwarding items that are over six months old to the State's Unclaimed funds as necessary.***

#### Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

***Finding: Bank deposits are made two to three times a week.***

***Management Response: The District will make deposits at least 3 times a week.***

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***There were no findings noted in the testing of "Non-Payroll Disbursements" in prior years, therefore the above procedures are not applicable.***

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

***There were no findings noted in the testing of "Credit Cards/Debit Cards/Fuel Cards/P-Cards" in prior years, therefore the above procedures are not applicable.***

## Travel and Travel-Related Expense Reimbursements

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***There were no findings noted in the testing of "Travel and Travel-Related Expense Reimbursements" in prior years, therefore the above procedures are not applicable.***

## Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

***There were no findings noted in the testing of “Contracts” in prior years, therefore the above procedures are not applicable.***

#### Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that 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) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulate leave records, and agree the pay rates to the employee/officials’ authorized pay rates in the employee/officials’ personnel files.
19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

***There were no findings noted in the testing of “Payroll and Personnel” in prior years, therefore the above procedures are not applicable.***

#### Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

***Findings: The District does not have a written ethics policy.***

***Managements Response: The District will develop an ethics policy and have each employee review annually.***

#### Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

***There were no findings noted in the testing of "Debt Service" in prior years, therefore the above procedures are not applicable.***

#### Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

***There were no findings noted in the testing of "Other" in prior years, therefore the above procedures are not applicable.***

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 11, 2019  
Lake Charles, Louisiana