

**WATERWORKS DISTRICT NO. 7
OF WARDS 6 AND 4 OF CALCASIEU
PARISH, LOUISIANA**

**Annual Financial Report
September 30, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the year ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of September 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, Schedule of District's Proportionate Share of Net Pension Liability on page 38, and Schedule of District's Contributions on page 39, and Schedule of Changes in Total OPEB Liability and related ratios on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's basic financial statements. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 solely 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 Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury'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 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
March 7, 2023

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2022**

The Management’s Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended September 30, 2022. 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.

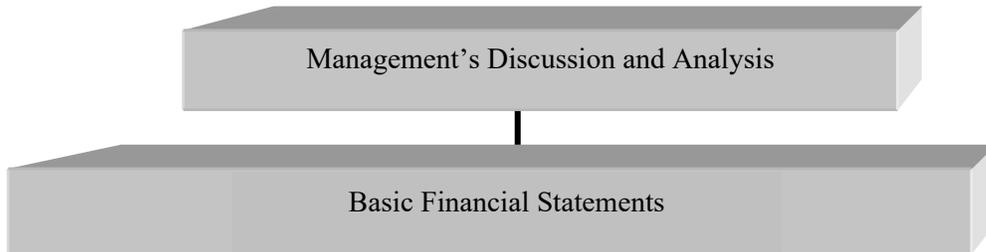
FINANCIAL HIGHLIGHTS

The District’s assets exceeded its liabilities at the close of fiscal year 2022 by \$4,237,996 which represents an 5.6% increase from last fiscal year. Of this amount, \$2,518,521 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue decreased \$17,826 (or 3.8%), operating expenses increased \$45,559 (or 6.1%) and the net results from operating activities was a loss from operations of \$349,051.

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. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2022**

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 Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 8 - 9) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is 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 10 - 11) 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 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 Cash Flow Statement (pages 12 - 13) 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

	2022	2021	2020
Current, other assets and deferred outflows	\$ 2,987,908	\$ 2,612,206	\$ 2,184,227
Capital assets	1,719,475	1,854,971	2,001,538
Total assets and deferred outflows	<u>4,707,383</u>	<u>4,467,177</u>	<u>4,185,765</u>
Other liabilities and deferred inflows	386,694	371,873	307,114
Long-term liabilities	82,693	80,899	95,172
Total liabilities and deferred inflows	<u>469,387</u>	<u>452,772</u>	<u>402,286</u>
Net position:			
Net investment in capital assets	1,719,475	1,854,971	2,001,538
Unrestricted amounts	2,518,521	2,159,434	1,781,941
Total net position	<u>\$ 4,237,996</u>	<u>\$ 4,014,405</u>	<u>\$ 3,783,479</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2022**

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 \$223,591, or 5.6%, from September 30, 2021 to September 30, 2022.

	2022	2021	2020
Operating revenues	\$ 446,886	\$ 464,712	\$ 509,754
Operating expenses	(795,937)	(750,378)	(787,945)
Operating income (loss)	(349,051)	(285,666)	(278,191)
Non-operating revenues (expenses)	572,642	516,592	564,193
Net increase (decrease) in net position	\$ 223,591	\$ 230,926	\$ 286,002

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the District had \$1,719,475, 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 \$135,496, or (7.3%), from last year.

	2022	2021	2020
Land and Right of Ways	\$ 50,480	\$ 50,480	\$ 50,480
Water Plant	4,790,712	4,793,288	4,793,288
Buildings	130,729	130,729	130,729
Furniture, Fixtures, and Equipment	21,895	21,895	21,895
Meters and Equipment	901,413	885,285	866,829
Less Accumulated Depreciation	(4,175,754)	(4,026,706)	(3,861,683)
Totals	\$ 1,719,475	\$ 1,854,971	\$ 2,001,538

There are no major capital addition in the current year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2022**

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 Eric Vige, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Net Position
As of September 30,**

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,425,851	\$ 2,236,813
Restricted assets:		
Cash and cash equivalents	131,702	130,902
Receivables - net of allowance for uncollectible accounts of \$10,270 for 2022 and \$8,568 for 2021	54,512	53,249
CPPJ grant receivable	80,000	-
Prepaid insurance	27,375	24,354
Total Current Assets	2,719,440	2,445,318
PROPERTY, PLANT, AND EQUIPMENT		
Water plant	4,790,712	4,793,288
Buildings	130,729	130,729
Office furniture and equipment	21,895	21,895
Meters and equipment	901,413	885,285
	5,844,749	5,831,197
Less: accumulated depreciation	(4,175,754)	(4,026,706)
	1,668,995	1,804,491
Land and right-of-ways	50,480	50,480
Net Property, Plant, and Equipment	1,719,475	1,854,971
OTHER ASSETS		
Net pension asset	202,478	77,957
Perpetual service agreement	8,000	8,000
Total Other Assets	210,478	85,957
TOTAL ASSETS	4,649,393	4,386,246
DEFERRED OUTFLOWS		
Deferred outflows of resources related to OPEB	-	-
Deferred outflows of resources related to pensions	57,990	80,931
TOTAL DEFERRED OUTFLOWS	57,990	80,931
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 4,707,383	\$ 4,467,177

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

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Net Position (Continued)
As of September 30,**

LIABILITIES	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 5,049	\$ 4,105
Payroll taxes and retirement payable	19,191	22,396
Accrued compensation	35,599	34,984
DHH fees	4,520	4,512
Total Current Liabilities	64,359	65,997
CURRENT LIABILITIES (Payable from Restricted Assets)		
Customer deposits	31,674	30,900
Deferred tax payable	100,002	100,002
Total Current Liabilities (Payable From Restricted Assets)	131,676	130,902
LONG-TERM LIABILITIES		
OPEB payable	82,693	80,899
Total Long-Term Liabilities	82,693	80,899
TOTAL LIABILITIES	278,728	277,798
DEFERRED INFLOWS		
Deferred inflows of resources related to OPEB	525	13,042
Deferred inflows of resources related to pensions	190,134	161,932
TOTAL DEFERRED INFLOWS	190,659	174,974
NET POSITION		
Net investment in capital assets	1,719,475	1,854,971
Unrestricted amounts	2,518,521	2,159,434
TOTAL NET POSITION	4,237,996	4,014,405
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 4,707,383	\$ 4,467,177

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

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended September 30,**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water sales and fees	\$ 416,061	\$ 429,258
Member fees	15,825	20,100
Service charge income	5,950	6,370
Late charge income	9,050	8,984
Total Operating Revenues	<u>446,886</u>	<u>464,712</u>
OPERATING EXPENSES		
Advertising	-	173
Board per diem	5,600	5,100
Bank charges	4,298	4,500
Bad debt expense	1,702	165
Chemicals	29,899	28,372
Depreciation	153,499	165,023
Dues and subscriptions	6,020	5,686
Fuel	13,188	9,541
Insurance	93,291	120,643
Office expenses	5,879	5,429
Payroll taxes	4,182	4,252
Retirement	(39,535)	4,048
Permits and licenses	490	529
Postage	6,682	5,668
Professional services	26,382	23,603
Professional development	1,290	395
Repairs and maintenance	113,302	9,620
Salaries	289,205	285,869
Supplies	28,083	22,687
Telephone	5,672	8,302
Travel and meals	448	663
Uniforms	1,194	1,579
Utilities	45,166	38,531
Total Operating Expenses	<u>795,937</u>	<u>750,378</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (349,051)</u>	<u>\$ (285,666)</u>

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

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
For The Years Ended September 30,**

	<u>2022</u>	<u>2021</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax revenue	\$ 489,798	\$ 514,846
CPPJ grant revenue	80,000	-
Revenue sharing	4,090	3,744
Interest income	1,238	1,054
Miscellaneous revenues	628	605
Miscellaneous expenses	(3,112)	(3,657)
Total Non-Operating Revenues (Expenses)	<u>572,642</u>	<u>516,592</u>
CHANGE IN NET POSITION	<u>223,591</u>	<u>230,926</u>
NET POSITION - BEGINNING OF YEAR	4,014,405	3,783,479
NET POSITION - END OF YEAR	<u>\$ 4,237,996</u>	<u>\$ 4,014,405</u>

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

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows
For The Years Ended September 30,**

	2022	2021
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 443,921	\$ 467,301
Payments to suppliers	(388,180)	(300,856)
Payments to employees	(331,945)	(308,665)
Other	(9,371)	(1,111)
Net Cash Provided (Used) by Operating Activities	(285,575)	(143,331)
Cash Flows From Investing Activities:		
Interest income	1,238	1,054
Net Cash Provided (Used) by Investing Activities	1,238	1,054
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(18,003)	(18,456)
Cash received for ad valorem taxes	489,798	514,846
Intergovernmental - revenue sharing	4,090	3,744
Cash provided from miscellaneous income	628	605
Cash used for miscellaneous expenses	(3,112)	(3,657)
Cash received (disbursed) for customer deposits	774	(300)
Net Cash Provided (Used) by Capital and Related Financing Activities	474,175	496,782
Net Increase (Decrease) in Cash and Cash Equivalents	189,838	354,505
Cash and Cash Equivalents - Beginning of Year	2,367,715	2,013,210
Cash and Cash Equivalents - End of Year	\$ 2,557,553	\$ 2,367,715
Cash and Cash Equivalents:		
Unrestricted	\$ 2,425,851	\$ 2,236,813
Restricted	131,702	130,902
	\$ 2,557,553	\$ 2,367,715

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

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows (Continued)
For The Years Ended September 30,**

	2022	2021
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (349,051)	\$ (285,666)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	153,499	165,023
Provisions for bad debts	1,702	165
(Increase) decrease in receivables	(2,965)	2,589
(Increase) decrease in prepaid insurance	(3,021)	(2,490)
(Increase) decrease in net pension asset	(124,521)	(80,069)
Increase (decrease) in accounts payable and other accrued expenses	(1,638)	(11,841)
Increase (decrease) in accrued OPEB liability	1,794	(12,161)
Increase (decrease) in deferred inflows	15,685	76,900
(Increase) decrease in deferred outflows	22,941	4,219
	63,476	142,335
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	\$ (285,575)	\$ (143,331)
 Supplemental Disclosure:		
Cash paid for interest	\$ -	\$ -

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 7 of Wards 6 and 4 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.

Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 7 of Wards 6 and 4 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.

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.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

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. Revenues are recognized when they are earned and expenses are recognized when they are 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.

Cash and Cash Equivalents

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives on the straight-line basis. The useful lives range from 5 to 40 years. Land and right of way costs are not depreciated.

Depreciation expense for the years ended September 30, 2022 and 2021 was \$153,499 and \$165,023, respectively.

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, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

Risk Management

The District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2022 and 2021, the District contributed premiums of \$36,010 and \$32,443, respectively. There were no significant reductions in insurance coverage from the prior year.

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SEPTEMBER 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

For the years ended September 30, 2022 and 2021, taxes of 6.66 mills were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated for the Maintenance Fund.

The following is a schedule of the 2021 property tax calendar that is applicable to the District:

1. Levy date - October, 2021
2. Billing date - November, 2021
3. Collection dates - December, 2021- May, 2022
4. Due dated - On receipt
5. Delinquent date - December 31, 2021
6. Lien date - June, 2022

These taxes, less certain uncollectible amounts, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2022.

Note 2 - Restricted Assets

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds in prior years. Tax revenues received that are dedicated for such purposes are required to be restricted. See note 12 for additional information.

Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

The following is a schedule of restricted assets as of September 30,:

	2022	2021
General Obligation Bond Fund	\$ 100,002	\$ 100,002
Customer Deposits Fund	31,700	30,900
	\$ 131,702	\$ 130,902

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Note 3 - Cash and Cash Equivalents

At September 30, 2022 and 2021, the District had cash and cash equivalents (book balances) totaling \$2,557,553 and \$2,367,715, 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. The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk.

At September 30, 2022, the District had \$2,663,501 in deposits (collected bank balances). These deposits are secured from risk by \$425,920 of federal deposit insurance and \$2,414,778 of pledged securities held in a custodial bank in the District's name.

At September 30, 2021, the District had \$2,372,450 in deposits (collected bank balances). These deposits are secured from risk by \$320,279 of federal deposit insurance and \$2,192,658 of pledged securities held in a custodial bank in the District's name.

Note 4 - Investments

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.

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Note 5 - Parochial Employees Retirement System

Plan Description

The Parochial Employees' Retirement System of Louisiana (System) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of any parish within the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The District is a participating member of Plan A.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

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Note 5 - Parochial Employees Retirement System (Continued)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

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Note 5 - Parochial Employees Retirement System (Continued)

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty for those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

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Note 5 - Parochial Employees Retirement System (Continued)

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, to age sixty for those members who are enrolled prior to January 1, 2007 and to age sixty-two for those members who are enrolled January 1, 2007 and later.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2021, the actuarially determined contribution rate was 11.11% of member's compensation for Plan A and 7.39% of member's compensation for Plan B. However, the actual rate for the fiscal year ending September 30, 2022 was 11.50% for Plan A and 7.50% for Plan B. The actual rate for the fiscal year ending September 30, 2021 was 12.25% for Plan A and 7.50% for Plan B.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

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Note 5 - Parochial Employees Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022, the District reported overfunding of \$202,478 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended September 30, 2022, the District recognized negative pension expense of \$(39,535). At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 12,233	\$ 14,675
Net difference between projected and actual earnings on pension plan investments	-	175,140
Changes in assumptions	10,560	-
Differences between District contributions and proportionate share of contributions	1,354	319
District contributions made subsequent to the measurement date	33,843	-
Total	\$ 57,990	\$ 190,134

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Note 5 - Parochial Employees Retirement System (Continued)

The District’s contributions during the year ended September 30, 2022, reported as deferred outflows, of \$33,843, subsequent to the measurement date, will be recognized as reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2023	(32,385)
2024	(68,871)
2025	(45,958)
2026	(18,773)
Total	(165,987)

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service, less the amount of the pension plan’s fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability (asset) as of December 31, 2021 are as follows:

Valuation Date	December 31, 2021
Actuarial Cost Method	Plan A - Entry Age Normal Cost Plan B – Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	6.40%, net of investment expense
Projected Salary Increases	Plan A - 4.75% Plan B - 4.25%
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

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Note 5 - Parochial Employees Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	33%	0.85%
Equity	51%	3.23%
Alternatives	14%	0.71%
Real assets	<u>2%</u>	<u>0.11%</u>
Totals	<u>100%</u>	<u>4.90%</u>
Inflation		<u>2.10%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

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Note 5 - Parochial Employees Retirement System (Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 6.40%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.40%) or one percentage point higher (7.40%) than the current rate.

Changes in Discount Rate			
	1%	Current Discount	1%
	Decrease	Rate	Increase
	5.40%	6.40%	7.40%
	Net Pension Liability	Net Pension Asset	Net Pension Asset
Net Pension Liability (Asset)	\$36,098	\$(202,478)	\$(402,329)

Retirement System Audit Report

The Parochial Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2021. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov.

Note 6 - Management 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.

Note 7 - Prior Year Balances

Certain prior year amounts may have been reclassified to conform to current year presentation.

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Note 8 – Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>End of Year</u>
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	<u>50,480</u>	<u>-</u>	<u>-</u>	<u>50,480</u>
Capital Assets Being Depreciated:				
Water Plant	4,793,288	-	(2,576)	4,790,712
Buildings	130,729	-	-	130,729
Office Furniture and Equipment	21,895	-	-	21,895
Meters and Equipment	885,285	18,003	(1,875)	901,413
Total Capital Assets Being Depreciated	<u>5,831,197</u>	<u>18,003</u>	<u>(4,451)</u>	<u>5,844,750</u>
Less Accumulated Depreciation	<u>4,026,706</u>	<u>153,499</u>	<u>4,451</u>	<u>4,175,754</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>1,804,491</u>	<u>(135,496)</u>	<u>-</u>	<u>1,668,995</u>
Total Capital Assets, Net	<u>\$ 1,854,971</u>	<u>\$ (135,496)</u>	<u>\$ -</u>	<u>\$ 1,719,475</u>

Capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>End of Year</u>
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	<u>50,480</u>	<u>-</u>	<u>-</u>	<u>50,480</u>
Capital Assets Being Depreciated:				
Water Plant	4,793,288	-	-	4,793,288
Buildings	130,729	-	-	130,729
Office Furniture and Equipment	21,895	-	-	21,895
Meters and Equipment	866,829	18,456	-	885,285
Total Capital Assets Being Depreciated	<u>5,812,741</u>	<u>18,456</u>	<u>-</u>	<u>5,831,197</u>
Less Accumulated Depreciation	<u>3,861,683</u>	<u>165,023</u>	<u>-</u>	<u>4,026,706</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>1,951,058</u>	<u>(146,567)</u>	<u>-</u>	<u>1,804,491</u>
Total Capital Assets, Net	<u>\$ 2,001,538</u>	<u>\$ (146,567)</u>	<u>\$ -</u>	<u>\$ 1,854,971</u>

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Note 9 - Perpetual Servitude

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

Note 10 – 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. The consultant performed a full valuation for 2020 using a valuation date of January 1, 2020, and a measurement date of December 31, 2020. For the Parish plan, a full actuarial valuation is required every other year; therefore, using the 2020 census data and including all appropriate adjustments, a roll forward calculation was prepared for year end 2021 disclosure information with a measurement date of December 31, 2021. The 2021 valuation included a change in assumption for an increase in the discount rate (described in the table below).

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.

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Note 10 – 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.

Using the 2020 census information, the following employees were covered by the benefit terms for the 2021 valuation:

	Parish	District
Active Employees	1,095	5
Inactive Employees or Beneficiaries		
Currently Receiving Benefit Payments	149	-
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-	-
Total Covered Employees	1,244	5

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 2021 actuarial valuation, with a measurement date of December 31, 2021, was determined using the following actuarial assumptions and other inputs, unless otherwise specified:

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THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	2.05% using an average of following three 20-year bond indices and rounded to the nearest 0.1%: (a) Bond Buyer 20 Bond GO – 2.06%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 2.25%, and (c) Fidelity GA AA 20 Years – 1.84%. The discount rate of 2.05% was increased from 2.02% utilized in 2020.
Healthcare Cost Trend Rates	7% for pre-65 and post 65 retirees decreasing .25% per year to an ultimate rate of 4.5% in 2032 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-2019.

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	\$40,672,413	\$40,672,413	\$17,065,971	\$57,738,384
Current Period Changes:				
Service Cost	353,300	353,300	208,252	561,552
Interest on Total OPEB Liability	820,835	820,835	345,843	1,166,678
Changes in Assumptions**	(264,340)	(264,340)	(129,895)	(394,235)
Benefit Payments	<u>(1,263,205)</u>	<u>(1,263,205)</u>	<u>(391,326)</u>	<u>(1,654,531)</u>
Net Change in Total OPEB Liability	(353,410)	(353,410)	32,874	(320,536)
Total OPEB Obligation at End of Year – Measurement Date	<u>\$40,319,003</u>	<u>\$40,319,003</u>	<u>\$17,098,845</u>	<u>\$57,417,848</u>
** Changes in assumptions reflect an increase of .03% in the discount rate from 2.02% for 2020 to 2.05% for 2021.				

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 10 – 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 (1.05%) or one percentage point higher (3.05%) than the current discount rate of 2.05%:

	1% Decrease (1.05%)	Discount Rate (2.05%)	1% Increase (3.05%)
Total OPEB Liability Parish	\$72,549,448	\$57,417,849	\$46,795,112
Total OPEB Liability District	\$104,485	\$82,693	\$67,395

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 (6%) or one percentage point higher (8%) than the current healthcare cost trend rate of 7%:

	1% Decrease (6%)	Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB Liability Parish	\$46,443,522	\$57,417,849	\$73,953,959
Total OPEB Liability District	\$66,888	\$82,693	\$106,509

Summary of Deferred Inflows and Outflows of Resources at September 30, 2022:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ -
Net difference between expected and actual earnings	-	-
Impact due to changes in assumptions	-	525
Total	\$ -	\$ 525

Amortization of impact due to changes in assumptions is over 10 years or \$53 per year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Note 10 – 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 September 30, 2021	\$ 80,899
Current Period Changes:	
Service Cost	1,892
Interest on Total OPEB Liability	1,647
Changes in Assumptions	(591)
Benefit Payments	<u>(1,154)</u>
Net Change in Total OPEB Liability	1,794
Net OPEB Obligation at September 30, 2022	<u>\$ 82,693</u>
District’s Proportionate Percentage of Total Parish OPEB Obligation	0.14%

Note 11 – Board of Commissioner’s Fees

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

	2022	2021
Donna Gayle	\$ 1,100	\$ 1,200
James Gentry	1,100	600
Ivan J. Tarou	1,200	1,000
Ted B. Chapman	1,100	1,100
Brock Peterson	1,100	1,200
Total	<u>\$ 5,600</u>	<u>\$ 5,100</u>

Note 12 – Deferred Tax Payable

During the 2005 and 2004 tax years, the District assessed millage in excess of the required amounts to repay general obligation bonds. This excess amount has not been recognized as income and is therefore deferred until the amounts are either refunded or offset against future tax assessments.

Note 13 - Subsequent Events

The District evaluated its September 30, 2022 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.

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

Board of Commissioners
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's basic financial statements, and have issued our report thereon dated March 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control.

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

Board of Commissioners
Waterworks District 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses Item 2022-001 that I consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's financial statements are free of 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 financial statements. 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*.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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, LLC

Lake Charles, Louisiana
March 7, 2023

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Responses
September 30, 2022**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2022-001
3. No instances of non-compliance noted.

B. GAGAS Findings:

2022-001 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.

C. Summary of Prior Year Findings:

2021-001 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.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana**

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

Year Ended September 30, 2022

Agency Head: Ivan J. Tarou, Board President

Purpose	Amount
Commissioner Fees	\$ 1,200.00
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. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the District's Proportionate Share of the Net Pension Liability
For The Year Ended September 30, 2022**

Fiscal Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2022	0.043%	\$ (202,478)	\$ 288,589	-70.16%	110.46%
2021	0.044%	\$ (77,957)	\$ 293,795	-26.53%	104.00%
2020	0.045%	\$ 2,112	\$ 272,806	0.77%	99.89%
2019	0.044%	\$ 194,480	\$ 271,726	71.57%	88.86%
2018	0.041%	\$ (30,443)	\$ 269,869	-11.28%	101.98%
2017	0.039%	\$ 80,426	\$ 252,000	31.92%	94.15%
2016	0.038%	\$ 98,716	\$ 220,765	44.72%	92.23%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 &4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the District's Contributions
For The Year Ended September 30, 2022**

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 33,843	\$ 33,843	\$ -	\$ 288,589	11.7%
2021	\$ 35,315	\$ 35,315	\$ -	\$ 293,798	12.0%
2020	\$ 34,289	\$ 34,289	\$ -	\$ 272,806	12.6%
2019	\$ 31,333	\$ 31,333	\$ -	\$ 271,726	11.5%
2018	\$ 22,097	\$ 22,097	\$ -	\$ 269,869	8.2%
2017	\$ 33,266	\$ 33,266	\$ -	\$ 252,000	13.2%
2016	\$ 34,946	\$ 34,946	\$ -	\$ 220,765	15.8%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Other Postemployment Benefits -
Schedule of Changes in Total OPEB Liability and Related Ratios
For The Year Ended September 30, 2022**

	2019	2020	2021	2022
Total OPEB Liability				
Service Cost	\$ 2,394	\$ 2,866	\$ 1,833	\$ 1,892
Interest on Total OPEB Liability	2,531	2,556	1,868	1,647
Changes in benefit terms	-	-	-	-
Differences between expected and actual	-	-	-	-
Changes in assumptions or other inputs	-	19,275	(14,689)	(591)
Benefit payments	(1,035)	(1,023)	(1,173)	(1,154)
Net Change in Total OPEB Liability	<u>3,890</u>	<u>23,674</u>	<u>(12,161)</u>	<u>1,794</u>
Total OPEB Liability - Beginning	<u>65,496</u>	<u>69,386</u>	<u>93,060</u>	<u>80,899</u>
Total OPEB Liability - Ending	<u>\$ 69,386</u>	<u>\$ 93,060</u>	<u>\$ 80,899</u>	<u>\$ 82,693</u>
Covered Employee Payroll	\$ 260,000	\$ 272,642	\$ 251,759	\$ 233,584
Total OPEB liability as a percentage of covered employee payroll	26.69%	34.13%	32.13%	35.40%

Notes to Schedule:

Changes in Benefit Terms

None

Changes in Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2019	3.90%
2020	2.90%
2021	2.02%
2022	2.05%

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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 30, 2022. Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish's management is responsible for those C/C areas identified in the SAUPs.

Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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 whether 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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) **Information Technology 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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

The District has no written policies or procedures for the items listed above.

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 whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit 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 unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Exception (2b): No quarterly budget-to-actual comparisons were included or referenced in the minutes. Annual budgets are adopted.

Bank Reconciliations

3. Obtain a listing of entity 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 each selected 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 or 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 it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exception (3b): No indication of a review was noted.

Collections (excluding electronic funds transfers)

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 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/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
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 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 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exception (5b): Employee responsible for collecting cash is responsible for preparing/making bank deposits

Exception (5c): Employee responsible for collecting cash is responsible for posting collection entries to the general ledger.

Exception (5d): The employee responsible for reconciling cash collections to the general ledger is also responsible for collecting cash.

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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exception (9a): Noted purchases under \$500 do not require a second pre-purchase approval.

Exception (9c): Noted employee responsible for processing payments is allowed to add and/or modify vendor files. No other employee reviews vendor files.

Exception (9d): Noted employee who is responsible for processing payments also mails the processed payments.

Exception (10b): Proper segregation of duties is not possible, therefore no evidence of segregation of duties was noted.

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 whether 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) were reviewed and approved, in writing (or electronically approved), 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 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found through the performance of these procedures.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

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, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found through the performance of these procedures.

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 whether 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 whether 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 the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - 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 the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found through the performance of these procedures.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or 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 or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found through the performance of these procedures.

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 whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were found through the performance of these procedures.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

These procedures are not applicable to the entity. The entity did not have any debt outstanding during fiscal year 2022.

Fraud Notice

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 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.

No exceptions were found through the performance of these procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

Sexual Harassment

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exception (26): No sexual harassment training noted for the employees tested.

Exception (27): The entity does not have a website and does not have its sexual harassment policy and complaint procedure posted on the premises.

Exception (28a): The entity's employees have not completed the annual sexual harassment training.

Management's Responses

1a through 1l – The District will begin working on creating written policies and procedures.

2b – The District will begin discussing budget-to-actual comparisons and note in the board minutes on at least a quarterly basis.

3b – The District will begin noting the review of bank reconciliations by a member of management or a board member who does not handle cash, post ledgers, or issue checks.

5b – Due to limited office staff District can not change this procedure.

5c – Due to limited office staff District can not change this procedure.

5d – Due to limited office staff District can not change this procedure.

9a – District does not consider it necessary to require a second employee to initiate an order for purchases under \$500. These purchases are reviewed by the Board at each monthly meeting.

9c – Due to limited office staff District can not change this procedure.

9d – Due to limited office staff District can not change this procedure.

10b – Due to limited office staff District can not change this procedure.

26, 28a – The District will require all employees to complete one hour of sexual harassment training annually.

27 – The District will post its sexual harassment policy and complaint procedure in a conspicuous location on the District's premises.

We were engaged by Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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, LLC

Lake Charles, Louisiana
March 7, 2023