

FOURTH WARD WATERWORKS ASSOCIATION, INC.
ALBANY, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

**As of December 31, 2019 and for the Year Then Ended
With Supplemental Information Schedules**



PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

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

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December 31, 2019

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fourth Ward Waterworks Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fourth Ward Waterworks Association, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 21 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fourth Ward Waterworks Association's internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Albany, Louisiana
March 2, 2020

Financial Statements

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Statement A

Statement of Financial Position
December 31, 2019

Assets

Current Assets:

Cash & Cash Equivalents	\$ 147,609
Investments	239,017
Inventory	32,447
Accounts Receivable, Net	53,836
Accrued Billings	9,269
Prepaid Insurance	<u>14,061</u>
Total Current Assets	<u>496,239</u>

Restricted Assets:

Restricted Cash and Cash Equivalents	<u>230,063</u>
Total Restricted Cash and Cash Equivalents	<u>230,063</u>

Property, Plant & Equipment:

Land	23,476
Capital Assets, Net	<u>2,320,834</u>
Total Property, Plant & Equipment	<u>2,344,310</u>

Total Assets	<u>\$ 3,070,612</u>
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(Continued)

The accompanying notes are an integral part of this statement.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Statement A

Statement of Financial Position
December 31, 2019

Liabilities and Net Assets

Current Liabilities:

Accrued Payables	\$ 5,667
Payroll Liabilities	4,413
Accrued Interest	4,839
Note Payable - Current Portion	<u>97,631</u>
Total Current Liabilities	<u>112,550</u>

Noncurrent Liabilities:

Members' Deposits	85,650
Note Payable - Long Term	<u>402,661</u>
Total Noncurrent Liabilities	<u>488,311</u>
Total Liabilities	<u>600,861</u>

Net Assets:

Without Donor Restrictions	<u>2,469,751</u>
Total Net Assets	<u>2,469,751</u>
Total Liabilities and Net Assets	<u>\$ 3,070,612</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement B

**Statement of Activities
For the Year Ended December 31, 2019**

	Without Donor Restrictions
Operating Revenues:	
Water Sales	\$ 491,894
DHH Fees	17,619
Miscellaneous Income	52,453
Total Operating Revenues	561,966
 Operating Expenses:	
Accounting	3,315
Advertising	210
Auto Expense	2,762
Bad Debt	766
Bank Charges	2,078
Billing Fees	2,026
Depreciation	137,024
Dues	878
Electricity	20,272
Equipment Rental	1,744
Insurance	23,124
Licenses	1,324
Office Supplies	462
Outside Services	470
Per Diem, Board Members	5,600
Postage	7,505
Professional	5,000
Repairs & Maintenance	18,499
Retirement	3,839
Safe Drinking Water Fees	16,667
Salaries	191,928
Taxes, Payroll	14,750

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement B

**Statement of Activities
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>
Telephone	\$ 3,399
Travel	1,853
Utilities	1,036
Water System Supplies	7,010
Water Treatment	<u>36,724</u>
Total Operating Expenses	<u>510,265</u>
Operating Income	<u>51,701</u>
Non-Operating Revenues (Expenses)	
Interest Income	7,649
Bond Interest	<u>(33,091)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,442)</u>
Change in Net Assets	26,259
Net Assets, Beginning	<u>2,443,492</u>
Net Assets, Ending	<u><u>\$ 2,469,751</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Statement C

Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows From Operating Activities	
Received from Customers	\$ 560,924
Payments for Operations	(168,259)
Payments for Employees	<u>(211,159)</u>
Net Cash Provided by Operating Activities	<u>181,506</u>
Cash Flows From Investing Activities	
Purchase of Property, Plant, & Equipment	(29,775)
Receipt of Interest	7,649
Increase in Investment	<u>(4,911)</u>
Net Cash Used by Investing Activities	<u>(27,037)</u>
Cash Flows From Financing Activities	
Repayment of Debt Principal	(92,323)
Interest Payments	<u>(32,265)</u>
Net Cash Used by Financing Activities	<u>(124,588)</u>
Net Increase in Cash	29,881
Cash and Cash Equivalents, Beginning of Year	<u>347,791</u>
Cash and Cash Equivalents, End of Year	<u>\$ 377,672</u>
Reconciliation of Cash and Cash Equivalents to Statement of Financial Position:	
Cash and Cash Equivalents, Unrestricted	\$ 147,609
Cash and Cash Equivalents, Restricted	<u>230,063</u>
Total Cash and Cash Equivalents	<u>\$ 377,672</u>

(Continued)

The accompanying notes are an integral part of this statement.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Statement C

Statement of Cash Flows
For the Year Ended December 31, 2019

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 51,701
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	137,024
(Increase) Decrease in Accounts Receivable	(10,200)
(Increase) Decrease in Accrued Billings	3,048
(Increase) Decrease in Inventory	(3,457)
(Increase) Decrease in Prepaid Insurance	983
Increase (Decrease) in Accrued Payables	(3,767)
Increase (Decrease) in Customer Deposits Payable	6,816
Increase (Decrease) in Payroll Liabilities	(642)
Net Cash Provided by Operating Activities	<u>\$ 181,506</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2019

Business Organization

Fourth Ward Waterworks Association, Inc. (The Association) is a non-profit corporation of the State of Louisiana serving the water service needs of its members. The Association was incorporated in 1969, and is supported primarily by fees paid by members for water services. The service limits for the Association are within Livingston Parish from the village limits of Albany, bounded on the north by St. Helena Parish, on the east by Tangipahoa Parish and on the west by the Tickfaw River. The Association currently serves 1,491 members.

1. Significant Accounting Policies

A. Basis of Presentation

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

B. Basis Accounting

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

C. Water Sales

Revenue from contracts with members for monthly water sales is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing water to its customers. Revenue is recognized as performance obligations are satisfied, which is on a monthly basis, as billed. Generally, the Association bills members on the 1st day of each month and amounts being due by the 14th of each month.

D. Cash and Cash Equivalents

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

E. Investments

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

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2019

more than 90 days.

F. Inventories

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

G. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. At December 31, 2019, the amount of prepaid insurance totaled \$14,061.

H. Property, Plant and Equipment

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

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

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

I. Compensated Absences

At December 31, 2019, the Association did not have employees that accumulate or vest benefits.

J. Income Taxes

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

K. Use of Estimates

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

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2019

L. Restricted Cash

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

M. Concentration of Credit Risk

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

At December 31, 2019, the Association had deposits in excess of the FDIC insurance by \$209,180.

N. New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers, or Accounting Standards Codification Topic 606 ("ASC 606"), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition ("ASC 605"). This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgments and changes in judgments, as well as assets recognized from costs incurred to obtain or fulfill a contract. On January 1, 2019, the Organization adopted ASC 606. Analysis of the various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue.

2. Financial Assets and Liquidity Resources

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditures such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial Assets:

Cash & Cash Equivalents	\$ 147,609
Investments	239,017
Accounts Receivable, Net	<u>53,836</u>
Total Financial Assets Available within One Year	<u>440,462</u>

Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 440,462</u>
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**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2019**

3. Cash and Cash Equivalents

At December 31, 2019, the Association had cash and cash equivalents totaling \$377,672 (book balances) as follows:

Demand Deposits	\$	147,609
Money Market		230,063
Total Cash and Cash Equivalents		\$ 377,672

4. Investments

Investments held at December 31, 2019 consist of \$76,082 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by the Louisiana Asset Management Pool, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The primary objective of LAMP is to provide a safe environment for the placement of funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

At December 31, 2019 the Association's certificate of deposit was reported separate from cash because the original maturity was more than 90 days. The fair value of the certificate of deposit at December 31, 2019 was \$162,935.

5. Inventories

At December 31, 2019, the Association had inventories consisting of the following:

Water System Supplies	\$	18,129
Water Chemicals		14,318
Total		\$ 32,447

Receivables

The following is a summary of receivables at December 31, 2019:

	Beginning	Ending
Accounts	\$ 47,519	\$ 57,719
Accrued Billings	12,317	9,269
Allowance for Bad Debt	(3,883)	(3,883)
Net Accounts Receivable	\$ 55,953	\$ 63,105

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

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2019

determined by the manager to be uncollectible.

Estimated unbilled receivables are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Estimated unbilled receivables at December 31, 2019 totaled \$9,269.

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

7. Restricted Assets

At December 31, 2019, the Association had restricted assets as follows:

Debt Service Reserve Account	\$	126,071
Members' Deposit Account		103,992
Total Restricted Assets	\$	230,063

The Association is required to maintain a separate account for a reserve fund according bond covenants. The Association shall fund the Debt Reserve Requirement of \$124,148 in quarterly installments of \$10,345.66. The Reserve fund has been fully funded as of December 31, 2019.

8. Property, Plant and Equipment

A summary of changes in capital assets during the fiscal year ending December 31, 2019 is as follows:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019
Capital Assets				
Land	\$ 23,476	\$ -	\$ -	\$ 23,476
Building	19,637	-	-	19,637
Equipment & Furniture	106,262	-	-	106,262
Water Distribution System	4,157,324	29,775	-	4,187,099
Total Capital Assets	4,306,699	29,775	-	4,336,474
Less Accumulated Depreciation	(1,855,140)	(137,024)	-	(1,992,164)
Total Capital Assets, Net	\$ 2,451,559	\$ (107,249)	\$ -	\$ 2,344,310

Depreciation expense for the fiscal year ending December 31, 2019, totaled \$137,024.

9. Members' Deposits

Members' deposits are paid by customers upon application for utility services and are returnable to them upon termination of services. The Association has established a separate bank account for member deposits. At December 31, 2019, the balance in this account is \$103,992.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2019

10. Pension Plan

The Fourth Ward Waterworks Association, Inc. participates in a Simple IRA Retirement Plan. The Association makes a contribution of two (2) percent of all employees' annual income. At December 31, 2019, the association recorded retirement expense of \$3,839.

11. Notes Payable

The Association entered into a loan agreement with the Louisiana Local Government Environment Facilities and Community Development Authority. On February 25, 2011 the Association borrowed \$1,224,000 in "Revenue Bonds Series 2011." The interest rate is at 5.699% and final maturity is on February 1, 2026. The Association has \$10,000 remaining in the unamortized portion of the bond issuance cost. This amount is netted with the long-term portion of the Note Payable on the Statement of Financial Position.

	Balance December 31, 2018	Payments	Balance December 31, 2019	Due Within One Year
Series 2011	\$ <u>602,615</u>	\$ <u>102,323</u>	\$ <u>500,292</u>	\$ <u>97,631</u>

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

Year Ending December 31	Principle	Interest	Total
2020	\$ 97,631	\$ 26,977	\$ 124,608
2021	103,296	21,312	124,608
2022	109,289	15,319	124,608
2023	115,631	8,977	124,608
2024	74,445	2,188	76,633
	\$ <u>500,292</u>	\$ <u>74,773</u>	\$ <u>575,065</u>

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

12. Subsequent Event

Management has evaluated subsequent events through March 2, 2020, the date which the financial statements were available to be issued, and determined that no events occurred that require disclosure.

Supplementary Information

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

**Schedule of Entity Officials
December 31, 2019**

<u>Board of Directors</u>	<u>Per Diem Payments</u>	<u>Salary Payments</u>	<u>Total Payments</u>	<u>Term Expires</u>
Sid Kinchen, President P.O. Box 1883 Albany, LA 70711 Phone: 225-567-1101	\$ 1,200	\$ 67,766	\$ 68,966	12/31/22
Eddie Wagner, Vice-President 32290 Pea Ridge Rd Albany, LA 70711 Phone: 225-567-2524	\$ 1,100	\$ -	\$ 1,100	12/31/20
Johnnie Johnson, Treasurer 28873 LA 40 Independence, LA 70443 Phone: 985-878-9746	\$ 900	\$ -	\$ 900	12/31/22
Jody Purvis, Secretary 27831 Horseshoe Rd N. Independence, LA 70443 Phone: 985-878-8650	\$ 1,200	\$ -	\$ 1,200	12/31/21
Kenneth Purvis, Board Member 27944 Purvis Rd Independence, LA 70443 Phone: 985-878-6116	\$ 1,200	\$ 46,268	\$ 47,468	12/31/20

See Auditor's Report.

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

**Schedule of Water Rates and Water Customers
December 31, 2019**

	<u>Usage</u>	<u>Rate</u>
Residential Water Rates:	0 - 2,000 gallons	\$18.00 flat rate
	Over 2,000 gallons	\$3.50 per 1,000 gallons \$1.00 DHH Fee
Residential Customers:	1,470 customers	
Non-residential Customers:	21 customers	

See Auditor's Report.

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

**Schedule of Insurance
December 31, 2019**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
Glatfelter Insurance Group		
Policy No. GPPAPF605486801	<u>Property</u>	
Policy Period: 01/01/20-01/01/21	Real Property and Personal Property	\$1,432,897 Blanket Limit
	<u>Commercial Crime Coverage</u>	
	Employee Theft	\$100,000 Per Loss
	Forgery or Alteration	\$100,000 Per Occurrence
	Inside the Premises - Theft of Money & Securities	\$100,000 Per Occurrence
	Inside the Premises - Robbery/ Safe Burgulary	\$100,000 Per Occurrence
	Outside the Premises	\$100,000 Per Occurrence
	Computers and Funds Transfer Fraud	\$100,000 Per Occurrence
	Money Orders	\$100,000 Per Occurrence
	Fraudulent Impersonation	\$100,000 Per Occurrence
	<u>Inland Marine Coverage</u>	
	Blanket Tools and Equipment	\$25,000 Limit \$10,000 Per Item
	2011 Kubota KX91-352 Excavator	\$35,000 Limit
	<u>General Liability</u>	
	General Liability	\$1,000,000
	Damage to Premises Rented to You	\$1,000,000
	Medical Expense	\$10,000
	Personal and Advertising Injury	\$1,000,000
	General Aggregate	\$3,000,000
	Products - Completed	\$3,000,000
	Operations Aggregate	

(Continued)
See Auditor's Report.

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

**Schedule of Insurance
December 31, 2019**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
	Workers Compensation	Statutory Limits
Louisiana Workers Compensation Corp. Policy # 7678 - A Policy Period: 01/04/20-01/04/21	Bodily Injury by Accident Bodily Injury by Disease Bodily Injury by Disease	\$100,000 Each Accident \$100,000 Each Employee \$500,000 Policy Limit
Travelers Policy # 105527815 Policy Period: 01/01/19-01/01/22	Non-Profit Organization Directors' and Officer's Liability Employment Practices Liability	\$1,000,000 For All Claims \$1,000,000 For All Claims

(Concluded)
See Auditor's Report.

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

**Schedule of Compensation, Benefits and Other
Payments to Agency Head
December 31, 2019**

Manager: Sid Kinchen

Purpose	<u>Amount</u>
Salary	\$ 67,766
Retirement Benefits	1,355
Per Diem - Board Meetings	1,200
Travel	<u>1,324</u>
Total Payments	<u>\$ 71,645</u>

See Auditor's Report.

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fourth Ward Waterworks Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2020.

Internal Control Over Financial Reporting

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

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

Fourth Ward Waterworks Association, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Year Audit Findings and Responses as item 2019-1 that we consider to be a material weakness.

Compliance and Other Matters

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

Fourth Ward Waterworks Association's Response to Findings

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

Purpose of this Report

The Purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Albany, Louisiana
March 2, 2020

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

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2019**

Section I Internal Control and Compliance Material to the Financial Statements

2018-1 Segregation of Duties

Condition:

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

Recommendation:

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

Resolved:

See Finding 2019-1

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Schedule of Current Year Audit Findings and Responses
December 31, 2019

We have audited the basic financial statements of Fourth Ward Waterworks Association, Inc. as of and for the year ended December 31, 2019, and have issued our report thereon dated March 2, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2019 resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses, Yes Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not applicable

Was a management letter issued? No

Internal Control

2019-1 Segregation of Duties

Condition:

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

Criteria:

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

Cause:

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

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Schedule of Current Year Audit Findings and Responses
December 31, 2019

Effect:

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

Recommendation:

We recommend the Association continue to perform the following:

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

Management's Response:

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