

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

**Annual Financial Report
September 30, 2018 and 2017**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position.....	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position.....	9 - 10
Statements of Cash Flows.....	11 - 12
Notes to Financial Statements	13 - 33
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	34 - 35
Schedule of Findings and Responses	36
Schedule of Compensation, Benefits and Other Payments.....	37
Schedule of District's Proportionate Share of Net Pension Liability.....	38
Schedule of District's Contributions.....	39

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@jderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, Schedule of District's Proportionate Share of Net Pension Liability on page 38, and Schedule District's Contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 12, 2019 on my consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 12, 2019

**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, 2018**

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, 2018. 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.

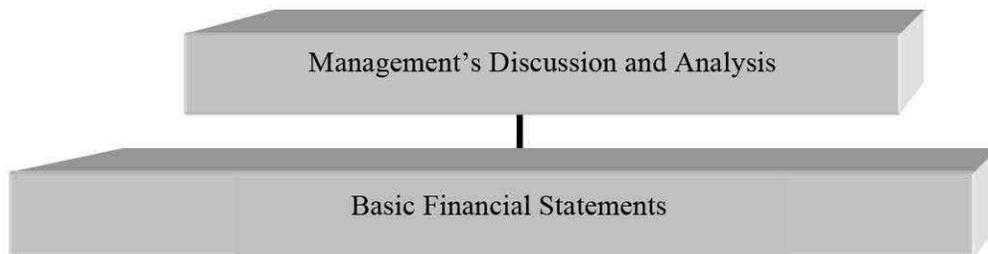
FINANCIAL HIGHLIGHTS

The District’s assets exceeded its liabilities at the close of fiscal year 2018 by \$3,404,495 which represents a 2.0% increase from last fiscal year. Of this amount, \$1,192,148 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue increased \$6,046 (or 1.27%), operating expenses increased \$8,087 (or 1%) and the net results from operating activities was a loss from operations of \$293,030.

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, 2018**

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 7 - 8) 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 9 - 10) 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 11 - 12) 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

	2018	2017	2016
Current, other assets and deferred outflows	\$ 1,500,086	\$ 1,385,998	\$ 1,213,952
Capital assets	2,245,092	2,350,117	2,484,643
Total assets and deferred outflows	<u>3,745,178</u>	<u>3,736,115</u>	<u>3,698,595</u>
Other liabilities and deferred inflows	319,264	244,621	368,596
Long-term debt outstanding	21,419	155,073	150,331
Total liabilities and deferred inflows	<u>340,683</u>	<u>399,694</u>	<u>518,927</u>
Net position:			
Net investment in capital assets	2,212,347	2,275,165	2,369,086
Amount restricted for debt service	-0-	-0-	-0-
Unrestricted amounts	1,192,148	1,061,256	810,582
Total net position	<u>\$3,404,495</u>	<u>\$3,336,421</u>	<u>\$ 3,179,668</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, 2018**

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 \$68,074, or 2%, from September 30, 2017 to September 30, 2018.

	2018	2017	2016
Operating revenues	\$ 493,949	\$ 477,903	\$ 505,827
Operating expenses	(776,979)	(768,892)	(690,923)
Operating income (loss)	(293,030)	(290,989)	(185,096)
Non-operating revenues (expenses)	361,104	374,942	348,243
Net increase (decrease) in net position	\$ 68,074	\$ 83,953	\$ 163,147

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the District had \$2,245,092, 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 \$105,025, or (4.4%), from last year.

	2018	2017	2016
Land and Right of Ways	\$ 50,480	\$ 50,480	\$ 50,480
Water Plant	4,725,260	4,686,368	4,582,618
Buildings	130,729	130,727	130,727
Furniture, Fixtures, and Equipment	21,895	17,956	21,989
Meters and Equipment	844,997	910,488	802,992
Construction in Progress	-0-	-0-	460,645
Less Accumulated Depreciation	(3,528,269)	(3,445,902)	(3,564,808)
Totals	\$ 2,245,092	\$ 2,350,117	\$ 2,484,643

This year's major capital addition included above was:

- Water Line Extension on Bud Bennet Road \$30,540
- Entergy water line \$10,250

**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, 2018**

Debt

The District had \$74,952 in notes payable outstanding at year-end, compared to \$115,557 in notes payable last year, a decrease of 35.1%. A schedule of this debt is shown in the table below.

Outstanding Debt at Year-end

	2018	2017	2016
Note Payable	\$ 32,745	\$ 74,952	\$ 115,557
Total Debt	\$ 32,745	\$ 74,952	\$ 115,557

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,**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,210,563	\$ 966,400
Restricted assets:		
Cash and cash equivalents	133,047	203,402
Receivables - net of allowance for uncollectible accounts of \$7,738 for 2018 and \$4,807 for 2017	60,268	65,996
Other	-	7,068
Prepaid insurance	27,010	24,119
Total Current Assets	1,430,888	1,266,985
PROPERTY, PLANT, AND EQUIPMENT		
Water plant	4,725,260	4,686,368
Buildings	130,729	130,727
Office furniture and equipment	21,895	17,956
Meters and equipment	844,997	910,488
	5,722,881	5,745,539
Less: accumulated depreciation	(3,528,269)	(3,445,902)
	2,194,612	2,299,637
Land and right-of-ways	50,480	50,480
Net Property, Plant, and Equipment	2,245,092	2,350,117
OTHER ASSETS		
Perpetual service agreement	8,000	8,000
Total Other Assets	8,000	8,000
TOTAL ASSETS	3,683,980	3,625,102
DEFERRED OUTFLOWS		
Deferred outflows of resources related to pensions	61,198	111,013
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 3,745,178	\$ 3,736,115

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,**

	2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 15,723	\$ 7,543
Payroll taxes and retirement payable	20,828	5,176
Accrued compensation	22,420	40,395
DHH fees	4,318	4,189
Total Current Liabilities	63,289	57,303
CURRENT LIABILITIES (Payable from Restricted Assets)		
Interest payable	106	242
Note payable due within one year	32,745	42,207
Customer deposits	33,045	30,600
Deferred tax payable	100,002	100,002
Total Current Liabilities (Payable From Restricted Assets)	165,898	173,051
LONG-TERM LIABILITIES		
Note payable due in more than one year	-	32,745
Net pension liability (asset)	(30,443)	80,426
OPEB payable	51,862	41,902
Total Long-Term Liabilities	21,419	155,073
TOTAL LIABILITIES	250,606	385,427
DEFERRED INFLOWS		
Deferred inflows of resources related to pensions	90,077	14,267
NET POSITION		
Net investment in capital assets	2,212,347	2,275,165
Unrestricted amounts	1,192,148	1,061,256
TOTAL NET POSITION	3,404,495	3,336,421
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 3,745,178	\$ 3,736,115

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,**

	2018	2017
OPERATING REVENUES		
Water sales and fees	\$ 452,516	\$ 439,648
Member fees	20,188	24,670
Service charge income	3,260	4,890
Late charge income	7,985	8,695
Total Operating Revenues	483,949	477,903
OPERATING EXPENSES		
Advertising	938	374
Board per diem	5,600	6,100
Bank charges	3,757	3,193
Bad debt expense	2,931	-
Chemicals	33,580	26,775
Contract labor	2,200	9,185
Depreciation	170,161	185,894
Dues and subscriptions	4,454	3,105
Fiscal agent fees	-	-
Fuel	10,369	6,763
Insurance	110,926	86,228
Office expenses	3,285	9,462
Payroll taxes and retirement	40,745	53,056
Permits and licenses	525	515
Postage	5,488	5,448
Professional services	30,879	16,140
Professional development	560	340
Repairs and maintenance	8,800	3,517
Salaries	260,148	266,496
Supplies	31,003	35,183
Telephone	8,272	8,685
Travel and meals	116	338
Uniforms	1,110	1,026
Utilities	41,132	41,069
Total Operating Expenses	776,979	768,892
INCOME (LOSS) FROM OPERATIONS	\$ (293,030)	\$ (290,989)

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>2018</u>	<u>2017</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax revenue	\$ 338,921	\$ 331,544
CPPJ grant revenue	31,024	56,000
Revenue sharing	4,074	3,191
Interest income	1,910	772
Interest expense	(2,024)	(3,631)
Miscellaneous revenues	2,857	540
Miscellaneous expenses	(8,893)	(13,474)
Gain on disposal of fixed assets	(6,765)	-
Total Non-Operating Revenues (Expenses)	<u>361,104</u>	<u>374,942</u>
CHANGE IN NET POSITION	<u>68,074</u>	<u>83,953</u>
NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	3,336,421	3,179,668
PRIOR PERIOD ADJUSTMENT - CORRECTION OF AN ERROR (NOTE 15)	<u>-</u>	<u>72,800</u>
NET POSITION -BEGINNING OF YEAR, AS RESTATED	<u>3,336,421</u>	<u>3,252,468</u>
NET POSITION - END OF YEAR	<u>\$ 3,404,495</u>	<u>\$ 3,336,421</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,**

	2018	2017
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 503,882	\$ 470,797
Payments to suppliers	(311,375)	(325,421)
Payments to employees	(278,123)	(248,420)
Other	4,139	637
Net Cash Provided (Used) by Operating Activities	(81,477)	(102,407)
Cash Flows From Investing Activities:		
Interest income	1,910	772
Cash received from certificate of deposit	-	10,552
Net Cash Provided (Used) by Investing Activities	1,910	11,324
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(72,722)	(54,137)
Principal payments on long term debt	(42,207)	(40,605)
Cash received for ad valorem taxes	338,921	331,544
Intergovernmental - revenue sharing	4,074	3,191
Cash provided from CPPJ grant	31,024	56,000
Cash provided from miscellaneous income	2,857	540
Cash used for miscellaneous expenses	(8,993)	(10,705)
Cash received (disbursed) for customer deposits	2,445	4,400
Interest expense	(2,024)	(3,631)
Net Cash Provided (Used) by Capital and Related Financing Activities	253,375	286,597
Net Increase (Decrease) in Cash and Cash Equivalents	173,808	195,514
Cash and Cash Equivalents - Beginning of Year	1,169,802	974,288
Cash and Cash Equivalents - End of Year	\$ 1,343,610	\$ 1,169,802
Cash and Cash Equivalents:		
Unrestricted	\$ 1,210,563	\$ 966,400
Restricted	133,047	203,402
	\$ 1,343,610	\$ 1,169,802

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,**

	2018	2017
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ (293,030)	\$ (290,989)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	170,161	185,894
(Increase) decrease in receivables	12,796	(13,894)
(Increase) decrease in prepaid insurance	(2,891)	(9,874)
Increase (decrease) in accounts payable and other accrued expenses	21,427	3,133
Increase (decrease) in accrued OPEB payable	9,960	23,323
Total Adjustments	211,453	188,582
Net Cash Provided (Used) by Operating Activities	\$ (81,577)	\$ (102,407)
Supplemental Disclosure:		
Cash paid for interest	\$ 2,024	\$ 3,762

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, 2018 AND 2017**

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, 2018 AND 2017

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, 2018 AND 2017**

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, 2018 and 2017 was \$170,161 and \$185,894, 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, 2018 and 2017, the District contributed premiums of \$35,103 and \$28,684, respectively. There were no significant reductions in insurance coverage from the prior 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, 2018 AND 2017**

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

For the years ended September 30, 2018 and 2017, taxes of 6.00 and 5.81 mills, respectively, 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 2017 property tax calendar that is applicable to the District:

1. Levy date - October, 2017
2. Billing date - November, 2017
3. Collection dates - December, 2017 - May, 2018
4. Due dated - On receipt
5. Delinquent date - December 31, 2017
6. Lien date - June, 2018

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, 2018.

Note 2 - Restricted Assets

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

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. Tax revenues received that are dedicated for such purposes are required to be restricted.

**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, 2018 AND 2017**

Note 2 - Restricted Assets (Continued)

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

	2018	2017
General Obligation Bond Fund	\$ 100,002	\$ 100,002
Customer Deposits Fund	33,045	103,400
	\$ 133,047	\$ 203,402

Note 3 - Long Term Debt

The following is a summary of debt transactions of the District for the year ended September 30, 2018:

	Note Payable
Outstanding at September 30, 2017	\$ 74,952
Redeemed in Year	(42,207)
Outstanding at September 30, 2018	\$ 32,745

The following is a summary of debt transactions of the District for the year ended September 30, 2017:

	Note Payable
Outstanding at September 30, 2016	\$ 115,557
Redeemed in Year	(40,605)
Outstanding at September 30, 2017	\$ 74,952

**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, 2018 AND 2017**

Note 3 – Long Term Debt (Continued)

<u>Note Payable:</u>	<u>2018</u>	<u>2017</u>
Note payable dated June 1, 2014, due in 60 equal monthly installments of \$3,697.27, final payment to be made June 1, 2019, including interest at 3.906%, collateralized by related equipment with a carrying value of \$403,924.		
	\$ 32,745	\$ 74,952
Less current maturities	<u>(32,745)</u>	<u>(42,207)</u>
	<u>\$ -0-</u>	<u>\$ 32,745</u>

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

<u>Note Payable</u>			
<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$32,745</u>	<u>\$531</u>	<u>\$33,276</u>

The annual requirements to amortize all debt outstanding as of September 30, 2017 are as follows:

<u>Note Payable</u>			
<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	42,207	2,160	44,367
2019	<u>32,745</u>	<u>531</u>	<u>33,276</u>
Total	<u>\$ 74,952</u>	<u>\$ 2,691</u>	<u>\$ 77,643</u>

**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, 2018 AND 2017**

Note 4 - Cash and Cash Equivalents

At September 30, 2018 and 2017, the District had cash and cash equivalents (book balances) totaling \$1,343,610 and \$1,169,802, respectively.

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

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

At September 30, 2018, the District had \$1,343,898 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$968,963 of pledged securities held in a custodial bank in the District's name.

At September 30, 2017, the District had \$1,191,116 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$709,734 of pledged securities held in a custodial bank in the District's name.

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

Note 5 - 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.

**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, 2018 AND 2017**

Note 6 - 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.

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.

**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, 2018 AND 2017**

Note 6 - Parochial Employees Retirement System (Continued)

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.

**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, 2018 AND 2017**

Note 6 - 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.

**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, 2018 AND 2017**

Note 6 - 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, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

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, 2017, the actuarially determined contribution rate was 9.35% of member's compensation for Plan A. However, the actual rate for the fiscal year ending September 30, 2018 was 11.50% for Plan A.

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.

**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, 2018 AND 2017**

Note 6 - 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, 2018, the District reported an asset of \$30,443 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset 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, 2018, the District recognized pension expense of \$36,853. At September 30, 2018, 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	\$ -	\$ 19,707
Net difference between projected and actual earnings on pension plan investments	-	70,333
Differences between District contributions and proportionate share of contributions	677	37
District contributions made subsequent to the measurement date	22,097	-
Changes in assumptions and proportion	38,424	
Total	\$ 61,198	\$ 90,077

The District's contributions during the year ended September 30, 2018, reported as deferred outflows, of \$22,097 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended September 30, 2019. 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:	
2019	4,779
2020	(4,412)
2021	(23,467)
2022	62,201

**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, 2018 AND 2017**

Note 6 - Parochial Employees Retirement System (Continued)

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, 2017 are as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.75%, net of investment expense
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit/2.50% Inflation)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Inflation Rate	2.50%

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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, 2018 AND 2017**

Note 6 - Parochial Employees Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

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, 2016 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	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Totals	100%	5.62%
Inflation		2.00%
Expected Arithmetic Normal Return		7.62%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**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, 2018 AND 2017**

Note 6 - 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate.

Changes in Discount Rate			
	1%	Current Discount	1%
	Decrease	Rate	Increase
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$150,096	\$80,426	\$(191,202)

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, 2017. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov.

Note 7 - 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 8 - Prior Year Balances

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

**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, 2018 AND 2017**

Note 9 – Capital Assets

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

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	50,480	-	-	50,480
Capital Assets Being Depreciated:				
Water Plant	4,686,368	40,790	1,898	4,725,260
Buildings	130,727	2	-	130,729
Office Furniture and Equipment	17,956	8,735	4,796	21,895
Meters and Equipment	910,488	22,443	87,934	844,997
Total Capital Assets Being Depreciated	5,745,539	71,970	94,628	5,722,881
Less Accumulated Depreciation	3,445,902	170,161	(87,794)	3,528,269
Total Capital Assets Being Depreciated, Net of Depreciation	2,299,637	(98,191)	6,834	2,194,612
Total Capital Assets, Net	\$ 2,350,117	\$ (98,191)	\$ 6,834	\$ 2,245,092

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Construction in Progress	460,645	-	460,645	-
Total Capital Assets Not Being Depreciated	511,125	-	460,645	50,480
Capital Assets Being Depreciated:				
Water Plant	4,582,618	103,750	-	4,686,368
Buildings	130,727	-	-	130,727
Office Furniture and Equipment	21,989	-	4,033	17,956
Meters and Equipment	802,992	468,658	361,162	910,488
Total Capital Assets Being Depreciated	5,538,326	572,408	365,195	5,745,539
Less Accumulated Depreciation	3,564,808	185,894	(304,800)	3,445,902
Total Capital Assets Being Depreciated, Net of Depreciation	1,973,518	386,514	60,395	2,299,637
Total Capital Assets, Net	\$ 2,484,643	\$ 386,514	\$ 521,040	\$ 2,350,117

**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, 2018 AND 2017**

Note 10 - 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 11 – Other Postemployment Benefits (OPEB)

In the fiscal year ending September 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the District 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 District in the future. This Statement attempts to quantify the future “retirement” costs that have been earned by the employee during his active years of employment. The District will finance the postemployment benefits on a “pay-as-you-go” basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of your current employees once they retire not just the liability referred to above that is actually recognized in the Statement of Net Position. The Parish contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 as of January 1, 2008, January 1, 2010, January 1, 2012, January 1, 2014 and January 1, 2016. Since GASB Statement No. 45 requires valuations every other year for plan memberships exceeding 200, the actuarial valuations prepared will be utilized for the two year periods of 2008 and 2009, 2010 and 2011, 2012 and 2013, and 2014 and 2015 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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

In addition to the option to participate in the group health, dental and life plans during employment, at retirement, employees who have twenty (20) years of cumulative service will be eligible for certain 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. The Parish currently offers its retirees the option to elect to participate in the health, dental and life plans. While there is no specific written plan or trust 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.

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Parish management. As stated previously, the required contribution is based on projected “pay-as-you-go” financing requirements. The employer contribution to the OPEB plan allocated to the District for 2016 was \$1,116. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2015 consisted of \$460 per month if under age 65, \$357 per month if subject to Medicare Supplement Part A, or \$249.90 per month if subject to Medicare Supplements Parts A & B. The retiree share of insurance premiums paid monthly for 2016 consisted of \$502 per month if under age 65, \$375 per month if subject to Medicare Supplement Part A, or \$296 per month if subject to Medicare Supplements Parts A & B. Retiree dental is \$42 per month. The Parish also provides an option to the Retirees to participate in a High Deductible plan with premiums of \$296 per month if under age 65 with the dental coverage the same.

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 projected unit credit actuarial cost method was used for the January 1, 2012, January 1, 2014, and January 1, 2016 actuarial valuations.. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all four valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2016 actuarial valuation report were based on the RP 2014 Healthy Male and Female Tables while the 2012 and 2014 actuarial valuation reports were based on the RP 2000 Male and Female Tables. Turnover rates for all valuation reports were based on the Parish’s historical data and modified based on years of employment.

**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, 2018 AND 2017**

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

For the January 1, 2016 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees' costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2016 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2023 and beyond. A 1% inflation factor was utilized each year. The 2016 actuarial valuation also assumes that (1) the member's current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2016 was twenty-one years.

Annual OPEB Cost and Net OPEB Obligation: The Parish's annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2014, 2015, and 2016. The ARC was calculated as part of the January 1, 2016 actuarial valuations performed by outside actuary consultants. The 2014 and 2015 ARC was obtained from the 2012 and 2014 valuation report respectively and adjusted for another year's activity as required by GASB Statement No. 45.

The following shows the components of the District's annual allocation of OPEB costs for the current year:

Annual Required Contribution (ARC)	\$ 6,381
Interest on Net OPEB Obligation	1,676
Adjustment to ARC	<u>1,909</u>
Annual OPEB Cost (Expense)	9,966
Less: Contributions	<u>-0-</u>
Increase in Net OPEB Obligation	9,966
Net OPEB Obligation at Beginning of year	<u>41,902</u>
Net OPEB Obligation at End of year	<u>\$ 51,868</u>

**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, 2018 AND 2017**

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

Trend Information for OPEB Plan:

<u>Fiscal Year Ended</u>	<u>OPEB Plan Total</u>
<u>December 31, 2014:</u>	
Annual OPEB Cost	\$7,729
% of Annual OPEB Cost Contributed	35%
Net OPEB Obligation	\$27,584
<u>December 31, 2015:</u>	
Annual OPEB Cost	\$7,190
% of Annual OPEB Cost Contributed	0%
Net OPEB Obligation	\$34,774
<u>December 31, 2016:</u>	
Annual OPEB Cost	\$7,128
% of Annual OPEB Cost Contributed	16%
Net OPEB Obligation	\$41,902
<u>December 31, 2017:</u>	
Annual OPEB Cost	\$9,966
% of Annual OPEB Cost Contributed	0%
Net OPEB Obligation	\$51,868

Funding Status and Funding Process: The following is a Schedule of Funding Progress for the OPEB Plan based on the first three actuarial valuations:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll**</u>	<u>((b-a)/c) UALL as a Percentage of Covered Payroll</u>
01/01/12	\$0	\$15,571,023	\$15,571,023	0.00%	\$31,178,169	50%
01/01/14	\$0	\$23,344,107	\$23,344,107	0.00%	\$37,965,534	62%
01/01/16	\$0	\$30,661,488	\$30,661,488	0.00%	\$40,752,346	75%

** This payroll amount includes not only the Parish payroll but payroll for all of the discretely presented components units that participate in the Parish OPEB Plan.

**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, 2018 AND 2017**

Note 12 – 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:

	2018	2017
Donna Gayle	\$ 1,000	\$ 1,300
Stoney Martin	1,000	1,000
Ivan J. Tarou	1,200	1,300
Ted B. Chapman	1,200	1,200
Total	\$ 5,600	\$ 5,600

Note 13 – 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 14 - Subsequent Events

The District evaluated its September 30, 2018 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.

Note 15 – Restatement of Beginning Net Position

The District’s subsidiary ledger maintaining customer security deposits erroneously included non-refundable fees paid by customers whom were home owners and not renters. As a result of this error the beginning net position as previously reported as of September 30, 2017 has been restated to reflect the customer deposit payable for renters only. pension liability as of that measurement date. 30, 2015 were The result of this implementation increased net position and decreased customer deposits payable as of October 1, 2016 by \$72,800.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

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Certified Public Accountants

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana as of and for the year ended September 30, 2018, 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 my report thereon dated March 12, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control. Accordingly, I 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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses Items 2018-001 and 2018-002 that I consider to be a significant deficiency.

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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Responses to Findings

The District's response to the finding identified in my audit is 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, I express no opinion on it.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 12, 2019

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Responses
September 30, 2018**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2018-001 and 2018-002
3. No instances of non-compliance noted.

B. GAGAS Findings:

2018-001 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.

2018-002 Reconciliation of Subsidiary Records–

Condition: The detailed subsidiary record maintaining a listing of customer security deposits was not properly reconciled.

Criteria: Effective internal control requires interim reconciliation of subsidiary records to the financial statements.

Effect: Without proper reconciliation of subsidiary records to the financial statements, errors within the financial records could go undetected.

Recommendation: The District has currently reconciled the subsidiary records and made proper adjustments to the financial statements and will reconcile such records on an interim basis.

Response: Management has implemented procedures to properly reconcile the customer deposit listing to the financial statements on an interim basis.

C. Summary of Prior Year Findings:

2017-001 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, 2018

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, 2018**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.038%	0.039%	-0.015%
District's proportionate share of the net pension liability (asset)	\$ 98,716	\$ 80,426	\$ (30,443)
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.7%	31.92%	-11.28%
Plan fiduciary net position as a percentage of the total pension liability	99.14%	92.23%	101.98%

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 31, 2018**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097
Contributions in relation to the contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869
Contributions as a percentage of covered-employee payroll	15.8%	13.2%	8.2%

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 WARD 6 AND 4 OF
CALCASIEU PARISH, LOUISIANA**

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

October 1, 2017 – September 30, 2018

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@jderouencpa.com

Member American Institute of
Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Waterworks District No. 7 of Wards 6 and 4 and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Waterworks District No. 7 of Wards 6 and 4 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

Finding: The District does not have any written policies concerning the applicable above financial procedures.

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

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Finding: No exceptions.

Bank Reconciliations

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

Finding: The bank reconciliations did not include evidence that a member of management with no involvement in transactions associated with the bank accounts has reviewed the bank reconciliations.

Management's Response: A Board member or member of management with no involvement in transactions associated with bank accounts will begin reviewing bank reconciliations.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for

depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings: Due to the limited number of office personnel, persons who take in collections also make bank deposits, record the related transactions, and reconcile the related bank account.

Management's Response: The District does not consider it to be cost effective to hire the required personnel to segregate the functions listed above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings: One of the disbursements tested that required a purchase order did not. The person responsible for processing payments may also add vendors to the disbursement system.

Management's Response: Management believes the finding regarding the lack of a purchase order to be an isolated instance. The District does not consider it feasible to restrict the person responsible for processing payments from adding vendors.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.
- Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

- b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: Statements are reviewed and paid by a person who is also a card holder.

Management's Response: Due to the limited size of the office staff it is not feasible to have a person review and pay the credit card who does not also hold a card.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

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

Not applicable.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: Two quarterly payroll tax reports were filed late, however tax deposits were paid timely.

Management's Response: The District will monitor the tax filing requirements.

Ethics

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

Not applicable.

Debt Service

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

Not applicable.

Other

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

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No findings.

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

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

Steven M. DeRouen & Associates

March 12, 2019
Lake Charles, Louisiana