

WATERWORKS DISTRICT NO. 1
OF ALLEN PARISH
Annual Financial Statements
As of and for the Year Ended June 30, 2020

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
Annual Financial Statements
As of and for the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Waterworks District No. 1 of Allen Parish
Oakdale, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 1 of Allen Parish, component unit of the Allen Parish Police Jury, as of and for the year ended June 30, 2020, 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 respective financial position of the business-type activities of the Waterworks District No. 1 of Allen Parish, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 1's basic financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used 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 basic 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 to agency head or chief executive officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2020, on my consideration of the Waterworks District No. 1's internal control over financial reporting and on 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 the Waterworks District No. 1's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 14, 2020

FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Oakdale, Louisiana
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$	279,766
Certificate of deposit		121,304
Accounts receivables		15,284
Interest receivable		3
Prepaid assets		7,540
Restricted assets:		
Customer deposits:		
Cash and cash equivalents		32,795
Debt service:		
Cash and cash equivalents		49,101

Total current assets 514,793

Non-current assets:

Capital assets, at cost, net of accumulated depreciation		2,460,393
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Total non-current assets 2,460,393

TOTAL ASSETS 2,975,186

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable		2,590
Accrued expenses and payroll taxes payable		7,779
Payable from restricted assets:		
Loans payable, current portion		17,022
Customer deposits		32,795

Total current liabilities 60,186

Long-term liabilities:

Loans payable, net of current portion		1,048,677
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Total long-term liabilities 1,048,677

TOTAL LIABILITIES 1,108,863

Net Position:

Net investment in capital assets		2,460,393
Unrestricted		(594,070)

TOTAL NET POSITION \$ 1,866,323

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

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Oakdale, Louisiana
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2020

OPERATING REVENUES

Charges for services	\$ 219,409
Total operating revenues	<u>219,409</u>

OPERATING EXPENSES

Advertising	1,284
Bank fees	80
Depreciation	59,262
Dues & subscriptions	300
Insurance	14,660
Interest expense	29,602
Legal & professional	12,900
Licenses & permits	5,786
Computer expense	468
Office	2,083
Operating supplies	891
Payroll taxes	4,535
Per diem	3,840
Postage	3,631
Repairs & maintenance	1,744
Salaries	59,185
Sales taxes	414
Telephone	5,264
Truck	1,591
Utilities	12,860
Well Expenses	17,133
Total operating expenses	<u>237,513</u>

OPERATING INCOME (LOSS) (18,104)

NON-OPERATING REVENUES (Expenses)

Interest income	73
Grant revenues	9,000
Total non-operating revenues (expenses)	<u>9,073</u>

Change in net position (9,031)

Total net position - beginning 1,875,354

Total net position - ending \$ 1,866,323

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

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Received from customers and users	\$ 223,174
Payments for supplies and services	(112,071)
Payments to employees	(63,226)
Net Cash Provided by Operating Activities	<u>47,877</u>
Cash Flows from Capital and Related Financing Activities:	
Other	834
Principal payments on loan	(16,560)
Net Cash Provided (Used) from (for) Capital and Related Financing Activities	<u>(15,726)</u>
Cash Flows from Investing Activities:	
Interest received	73
Net Cash Provided (Used) from (for) Investing Activities	<u>73</u>
Net Increase (Decrease) in Cash and Equivalents	32,224
Cash and Cash Equivalents at Beginning of Year	<u>329,438</u>
Cash and Cash Equivalents at End of Year	<u>\$ 361,662</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (18,104)
Depreciation	59,262
(Increase) decrease in:	
Receivables - trade	3,765
Prepaid expenses	2,216
Increase (decrease) in:	
Accounts payable	244
Accrued liabilities	494
Net Cash Provided by Operating Activities	<u>\$ 47,877</u>
Reconciliation of Total Cash:	
Current assets-cash	\$ 279,766
Restricted assets-cash	81,896
Total Cash	<u>\$ 361,662</u>

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

NOTES TO FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

INTRODUCTION

The Waterworks District No. 1 of Allen Parish is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statute 33:3811, for the purpose of providing water to the rural area of Northeast Allen Parish. The District is governed by a compensated board of commissioners composed of five members appointed by the Allen Parish Police Jury. The District has five part-time employees.

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, ability to impose a financial benefit/burden, fiscal dependency, and other general oversight responsibility.

Based on the foregoing criteria, Waterworks District No.1 of Allen Parish has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 1 of Allen Parish, Louisiana. The District is a component unit of the Allen Parish Police Jury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Waterworks District No. 1 of Allen Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Government Audit Guide.

The financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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*.

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 operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. 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 nonoperating 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.

B. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Waterworks District No. 1 of Allen Parish's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

C. Prepaid Items

The District records as prepaid expenses amounts paid in the current year that benefit future periods.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District’s ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of June 30, 2020, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Waterworks District No. 1 of Allen Parish maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Building.....	10 years
Distribution system.....	20-40 years
Machinery & equipment.....	5-10 years
Furniture & fixtures.....	5-7 years

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Compensated Absences

The District's leave policy does not provide for the accumulation and vesting of leave.

H. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

I. Net Position

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2020, the District has cash and cash equivalents (book balances) totaling as follows:

Demand deposits	\$ 361,662
Time deposits	121,304
Other	-
Total	<u>\$482,966</u>

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 owned by the fiscal agent bank. 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 in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2020, the District has \$485,645 in deposits (collected bank balances). These deposits are secured from risk by \$550,018 of federal deposit insurance and pledged collateral.

NOTE 3 - FIXED ASSETS

A summary of fixed assets at June 30, 2020 follows:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets not being depreciated:			
Land	\$ 6,407	\$ -	\$ 6,407
Construction in progress	-	-	-
Total capital assets not being depreciated	<u>\$ 6,407</u>	<u>\$ -</u>	<u>\$ 6,407</u>
Capital assets being depreciated:			
Building	\$ 50,000	\$ -	\$ 50,000
Distribution system	2,809,505	-	2,809,505
Furniture & fixtures	1,108	-	1,108
Machinery & equipment	58,147	-	58,147
Total capital assets being depreciated	<u>\$ 2,918,760</u>	<u>\$ -</u>	<u>\$ 2,918,760</u>
Less accumulated depreciation for:			
Building	\$ 2,036	\$ 2,036	\$ 4,072
Distribution system	345,064	57,155	402,219
Furniture & fixtures	1,100	-	1,100
Machinery & equipment	57,312	71	57,383
Total accumulated depreciation	<u>\$ 405,512</u>	<u>\$ 59,262</u>	<u>\$ 464,774</u>
Total capital assets being depreciated, net	<u>\$ 2,513,248</u>	<u>\$ (59,262)</u>	<u>\$ 2,453,986</u>

Depreciation expense was \$59,262 for the year ended June 30, 2020.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS

NOTE 4 - COMPONENTS OF RESTRICTED ASSETS

The customer deposit account had a balance of \$32,795 at June 30, 2020. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$32,795 at June 30, 2020.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during the year ended June 30, 2020.

NOTE 6 - PER DIEM

LA. Rev. Stat. 33:3819 allows for each commissioner to be paid up to \$60 for each meeting attended up to 24 meetings in each year, and for each special meeting not to exceed 12 special meetings in each year. Commissioners are paid \$60 for each meeting attended.

	<u>Per Diem</u>
Donald Harper, President	\$ 780
Randy Welch	780
Bruce Wheat	780
Richard Hussong	780
Ray Rush	<u>720</u>
	<u>\$ 3,840</u>

NOTE 7 - SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through the date which the financial statements were available to be issued.

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT

The following is a summary of bond payable transactions of the District for the year ended June 30, 2020:

	<u>Revenue</u>
Outstanding at July 1, 2019	\$ 1,082,259
Loans issued	-
Principal retired	<u>16,560</u>
Outstanding at June 30, 2020	<u>\$ 1,065,699</u>

Long-term debt at June 30, 2020 consists of the following:

Loan payable:

\$1,101,000 Rural Development Loan;
amended March 3, 2016; Due in monthly installments including interest at
2.75% of 3,843
through the year 2057

\$1,065,699

The annual requirements to amortize all debt outstanding as of June 30, 2020, are as follows:

Revenue Bonds

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 17,022	\$ 29,094	\$ 46,116
2022	16,745	29,371	46,116
2023	17,211	28,905	46,116
2024	17,691	28,425	46,116
2025	18,157	27,959	46,116
Thereafter	<u>978,873</u>	<u>418,167</u>	<u>1,397,040</u>
Total	<u>\$ 1,065,699</u>	<u>\$ 561,921</u>	<u>\$ 1,627,620</u>

OTHER SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 1 OF ALLEN PARISH

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

Year Ended June 30, 2020

Agency Head: Donald Harper, Board President

Purpose	Amount
Commissioner Fees	\$780
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	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.

INDEPENDENT AUDITOR'S REPORT SECTION

STEVEN M. DEROUEN & ASSOCIATES

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

Board of Commissioners
Waterworks District No. 1 of Allen Parish
Oakdale, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Waterworks District No. 1 of Allen Parish, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 1's basic financial statements and have issued my report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 1'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 1's internal control. Accordingly, I do not express an opinion on the effectiveness of the Waterworks District No. 1'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.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. See item 2020-001.

#

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1's financial statements are free from 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*.

Management Response to Findings

The Waterworks District No. 1's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Waterworks District No. 1'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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 14, 2020

WATER DISTRICT NO. 1 OF ALLEN PARISH
 Oakdale, Louisiana
 Schedule of Findings and Responses
 For the Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued					Unmodified
Internal control over financial reporting:					
Material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	No	
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No	

SECTION II – GAGAS Findings:

2020 - 001 Segregation of Duties

Condition: There is an inadequate segregation of duties at the District to provide effective internal control. The District employs a small number of people involved in 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 or fraud could go undetected.

Recommendation: None

Response: Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

WATER DISTRICT NO. 1 OF ALLEN PARISH
Oakdale, Louisiana Status of Prior Year Findings
For the Year Ended June 30, 2019

2019-1 Segregation of duties:

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.
See 2019-001.

2019-002 Late Filing of Audit Report

Corrective action taken –Management will closely monitor this situation to prevent from reoccurring.

2019-003 USDA Loan Covenants

Corrective action taken –Management will closely monitor this situation to prevent from reoccurring.