

**WATERWORKS DISTRICT NO. 9  
OF WARD 4 OF CALCASIEU  
PARISH, LOUISIANA  
Sulphur, Louisiana**

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**Annual Financial Report  
December 31, 2019 and 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

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

I have audited the accompanying financial statements of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and the Schedule of Changes in Total OPEB Liability on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated June 8, 2020 on my consideration of Waterworks District 9 of Ward 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 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 9 of Ward 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 the underlying accounting and other records to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
June 8, 2020

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2019**

The Management’s Discussion and Analysis of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended December 31, 2019. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

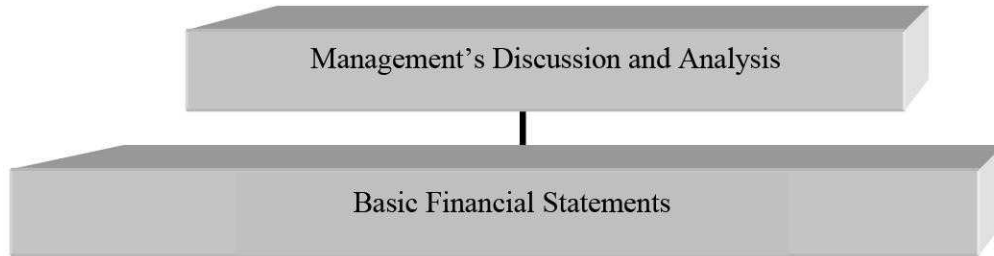
**FINANCIAL HIGHLIGHTS**

The District’s assets exceeded its liabilities at the close of 2019 by \$13,837,753 which represents a 7.1% increase from last fiscal year. Of this amount, \$5,898,297 (unrestricted net assets) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue decreased \$140,533 (or 6%) and the net results from operations increased by \$156,110.

**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. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2019**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the 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 assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The District's assets plus deferred outflows of resources minus their liabilities and deferred inflows of resources equals the net position. The net position of the District may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in 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 Statements (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2019	2018	2017
Current assets	\$ 6,205,290	\$ 5,703,834	\$ 5,208,043
Capital assets	8,031,886	7,884,795	7,884,697
Total Assets	<u>14,237,176</u>	<u>13,588,629</u>	<u>13,092,740</u>
Deferred outflows	92,430	-	-
Total assets and deferred outflows	<u>14,329,606</u>	<u>13,588,629</u>	<u>13,092,740</u>
Other liabilities	40,239	73,772	63,442
Long-term debt outstanding	359,184	589,814	896,034
Total Liabilities	<u>399,423</u>	<u>663,586</u>	<u>959,476</u>
Net position:			
Net investment in capital assets	8,031,886	7,544,795	7,214,697
Unrestricted amounts	5,898,297	5,380,248	4,918,567
Total Net Position	<u>\$ 13,930,183</u>	<u>\$ 12,925,043</u>	<u>\$12,133,264</u>

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2019**

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

Net position of the District increased by \$1,005,140, or 7.8%, from December 31, 2018 to December 31, 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 2,201,325	2,341,858	\$ 2,166,679
Operating expenses	<u>( 1,810,943)</u>	<u>(2,107,586)</u>	<u>(1,839,931)</u>
Operating income (loss)	<u>390,392</u>	<u>234,272</u>	<u>326,748</u>
Non-operating revenues (expenses)	<u>614,758</u>	<u>557,507</u>	<u>500,362</u>
Net increase (decrease) in net position	<u>\$ 1,005,140</u>	<u>\$ 791,779</u>	<u>\$ 827,110</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2019, the District had \$8,031,886, 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 increase (including additions and deductions) of \$147,091, or 1.9%, from last year.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and Right of Ways	\$ 113,486	113,486	\$ 113,486
Plant and Distribution System	17,202,939	16,575,350	16,224,528
Furniture, Fixtures, and Equipment	343,943	337,996	335,202
Construction in progress	195,047	192,814	52,345
Less Accumulated Depreciation	<u>(9,823,529)</u>	<u>(9,334,851)</u>	<u>(8,860,864)</u>
Totals	<u>\$ 8,031,886</u>	<u>7,884,795</u>	<u>\$ 7,884,697</u>

This year's Major Capital additions included above were:

- Radio Read Meters \$ 396,576
- Waterlines and large meters \$ 231,010

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2019**

**Debt**

The District had \$-0- in bonds outstanding at year-end, compared to \$340,000 last year. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue Bonds	\$ -0-	\$ 340,000	\$ 670,000

**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 Alice Webb, District Supervisor, Waterworks District No. 9 of Ward 4 of Calcasieu Parish.



**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Net Position  
As of December 31,**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 287,615	\$ 1,066,753
Investments	4,432,836	3,451,522
Restricted assets:		
Cash and cash equivalents - revenue bonds	158,164	127,767
Investments - construction	131,437	98,869
Receivables - net of allowance for uncollectibles of \$32,712 for 2019 and \$31,829 for 2018:		
Water accounts	152,692	150,931
Unbilled	130,343	134,082
Taxes - ad valorem - maintenance	451,991	416,727
Inventory	434,692	230,688
Other receivables	323	273
Prepaid expenses	25,197	26,222
Total Current Assets	6,205,290	5,703,834
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Furniture, fixtures, and equipment	137,916	137,914
Vehicles	206,027	200,082
Plant and distribution system	17,202,939	16,575,350
	17,546,882	16,913,346
Less: accumulated depreciation and amortization	(9,823,529)	(9,334,851)
	7,723,353	7,578,495
Construction in progress	195,047	192,814
Land	113,486	113,486
Net Property, Plant, and Equipment	8,031,886	7,884,795
<b>TOTAL ASSETS</b>	14,237,176	13,588,629
<b>DEFERRED OUTFLOWS OF RESOURCES RELATED TO OPEB</b>	92,430	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 14,329,606	\$ 13,588,629

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Net Position (Continued)  
As of December 31,**

	<b>2019</b>	<b>2018</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 29,271	\$ 62,821
Wages payable	3,982	1,750
Payroll taxes and retirement payable	3,356	5,843
Sales tax and other payables	3,630	3,358
Total Current Liabilities	40,239	73,772
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Due within one year - revenue bonds	-	340,000
Total Current Liabilities (Payable From Restricted Assets)	-	340,000
<b>LONG-TERM LIABILITIES</b>		
OPEB payable	359,184	249,814
Total Long-Term Liabilities	359,184	249,814
<b>TOTAL LIABILITIES</b>	399,423	663,586
<b>NET POSITION</b>		
Net investment in capital assets	8,031,886	7,544,795
Unrestricted amounts	5,898,297	5,380,248
<b>TOTAL NET POSITION</b>	13,930,183	12,925,043
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 14,329,606	\$ 13,588,629

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Revenues, Expenses, and Changes in Net Position  
For The Years Ended December 31,**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Water sales and fees	\$ 2,201,325	\$ 2,341,858
<b>OPERATING EXPENSES</b>		
Wages	492,329	472,212
Payroll tax and employee benefits	182,063	172,380
Commissioner fees	6,300	7,400
Depreciation expense	488,678	474,682
Insurance	75,853	81,014
Accounting and legal expenses	23,435	25,785
Meter reading	12,593	46,941
DHH fees	52,283	38,452
Miscellaneous	53,689	43,176
Office supplies	30,265	30,399
Plant supplies	91,938	124,486
Repairs and maintenance	107,424	118,672
Telephone	21,091	21,311
Utilities	85,617	91,506
Vehicle expense	22,579	22,496
Contract labor	63,922	315,298
Bad debt expense	884	21,376
Total Operating Expenses	<u>1,810,943</u>	<u>2,107,586</u>
<b>INCOME FROM OPERATIONS</b>	<u>390,382</u>	<u>234,272</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes - maintenance	454,710	420,156
Investment income	92,761	67,054
Joint service income	18,253	13,737
State fees	55,102	41,726
Miscellaneous	11,576	35,488
Revenue sharing	4,652	4,624
Interest expense	<u>(22,296)</u>	<u>(25,278)</u>
Total Non-Operating Revenues	<u>614,758</u>	<u>557,507</u>
<b>CHANGE IN NET POSITION</b>	1,005,140	791,779
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>12,925,043</u>	<u>12,133,264</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,930,183</u>	<u>\$ 12,925,043</u>

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Cash Flows  
For The Years Ended December 31,**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 2,203,303	\$ 2,332,094
Payments to suppliers	(883,678)	(1,007,407)
Payments to employees and benefits	(657,707)	(629,350)
Other	431	(7,614)
Net Cash Provided (Used) by Operating Activities	662,349	687,723
<b>Cash Flows From Investing Activities:</b>		
Investment income	92,761	67,054
Cash received (paid) for certificates of deposit	(718)	(61)
Cash received (paid) for Investments in LAMP and mutual funds, net	(1,013,882)	149,355
Net Cash Provided (Used) by Investing Activities	(921,839)	216,348
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital expenditures for plant and equipment	(635,767)	(474,782)
Principal payments on bonds	(340,000)	(330,000)
Cash received for ad valorem taxes	419,446	361,897
Intergovernmental - revenue sharing and joint service	22,905	13,737
State fees	55,102	41,726
Interest expense	(22,296)	(25,278)
Miscellaneous	11,359	35,488
Net Cash Provided (Used) by Capital and Related Financing Activities	(489,251)	(377,212)
<b>Net Increase (Decrease) in Cash</b>	(748,741)	526,859
<b>Cash and Cash Equivalents - Beginning of Year</b>	1,194,520	667,661
<b>Cash and Cash Equivalents - End of Year</b>	\$ 445,779	\$ 1,194,520
<b>Cash and Cash Equivalents:</b>		
Cash - unrestricted	\$ 287,615	\$ 1,066,753
Cash - restricted	158,164	127,767
	\$ 445,779	\$ 1,194,520

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Cash Flows (Continued)  
For The Years Ended December 31,**

	2019	2018
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 390,382	\$ 234,272
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	488,678	474,682
Provisions for bad debts	883	21,376
(Increase) decrease in receivables	1,978	(9,754)
(Increase) decrease in prepaid insurance	1,025	(15,573)
(Increase) decrease in inventory	(204,004)	(51,390)
(Increase) in deferred outflows OPEB	(92,430)	-
Increase (decrease) in accounts payable and other accrued expenses	(33,533)	10,330
Increase (decrease) in accrued OPEB payable	109,370	23,780
 Total Adjustments	 271,967	 453,451
 <b>Net Cash Provided (Used) by Operating Activities</b>	 \$ 662,349	 \$ 687,723

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
December 31, 2019 and 2018**

***Note 1 - Summary of Significant Accounting Policies***

The accounting policies of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana conform to generally accepted accounting principles as applicable to governmental units. 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**

This report includes all funds and account groups 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, and other general oversight responsibility.

Based on the foregoing criteria, the Waterworks District No. 9 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana. The district is a component unit of the Calcasieu Parish Police Jury.

**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".

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

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

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.

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.

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.

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.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

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

Property, Plant, and Equipment and Long-Term Liabilities

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.

Depreciation of all exhaustible fixed assets is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Furniture, fixtures, and equipment	3 - 40 years
Vehicles	5 years
Plant and distribution system	15 - 40 years

All fixed assets are stated at historical cost. All property and equipment in excess of \$1,000 are capitalized. Depreciation amounted to \$488,678 for the year ended December 31, 2019 and \$474,682 for the year ended December 31, 2018.

Cash and Cash Equivalents

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

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

*Note 2 - Ad Valorem Taxes*

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

For the year ended December 31, 2019, taxes of 2.4 mills were levied on property with assessed valuations, net of homestead exemption. Total taxes levied were \$474,578. Taxes receivable at December 31, 2019 and 2018 were \$451,991 and \$416,727, respectively, all of which were considered collectible. The 2.4 mills were dedicated to the maintenance fund.



**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

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

The District issued \$1,990,000 of its Water Revenue Refunding Bonds, 2013 Series, during the fiscal year ending December 31, 2013. The bonds were dated November 19, 2013. These bonds were issued for the purpose of refunding the outstanding Water Revenue Refunding Bonds, Series 2004 and paying the cost of issuing the bonds.

The following is a summary of bond payable transactions of the District for the years ended December 31, 2019 and 2018:

	<u>Revenue</u>
Outstanding at December 31, 2018	\$ 340,000
Bonds Retired	<u>( 340,000 )</u>
Outstanding at December 31, 2019	\$ <u>-0-</u>

	<u>Revenue</u>
Outstanding at December 31, 2017	\$ 670,000
Bonds Retired	<u>( 330,000 )</u>
Outstanding at December 31, 2018	\$ <u>340,000</u>

Long-term debt consists of the following at December 31:

<u>Revenue bonds:</u>	<u>2019</u>	<u>2018</u>
\$1,990,000 Waterworks Revenue Refunding Bonds, Series 2013, due in annual installments of \$50,000 to \$340,000 through January 1, 2020; interest at 1.84%	\$ -0-	\$ 340,000

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

***Note 4 - Accumulated Unpaid Vacation and Sick Pay***

There was no liability for accumulated unpaid vacation and sick pay at December 31, 2019 and 2018.

***Note 5 - Board of Commissioners' Fees***

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

	2019	2018
Larry Mouton	\$ 1,300	\$ 1,500
Byron Chamblee	1,200	1,500
Vito Tramonte	1,300	1,500
Richard Boenig	1,300	1,500
Theresa Bell	1,200	1,400
Total	\$ 6,300	\$ 7,400

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

At December 31, 2019 and 2018, the District had cash and certificates of deposit (book balances) as follows:

	2019	2018
Demand deposits	\$ 445,779	\$ 1,193,920
Certificate of deposit	48,186	47,468
Total	\$ 493,965	\$ 1,241,388

A reconciliation of cash and certificates of deposit follows:

	2019	2018
Cash on hand	\$ 600	\$ 600
Carrying amount of deposits	493,965	1,241,388
	\$ 494,565	\$ 1,241,988
Cash and cash equivalents	\$ 446,379	\$ 1,194,520
Certificates of deposit (non-cash equivalents)	48,186	47,468
	\$ 494,565	\$ 1,241,988

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

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

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 December 31, 2019, the District had \$461,390 in deposits (collected bank balances). These deposits are secured from risk by \$298,186 of federal deposit insurance and \$660,282 of pledged securities held in a custodial bank in the District's name.

At December 31, 2018, the District had \$1,273,284 in deposits (collected bank balances). These deposits are secured from risk by \$297,468 of federal deposit insurance and \$1,301,168 of pledged securities held in a custodial bank in the District's name.

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

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

The District had \$-0- (fair market value) as of December 31, 2019 and \$52,737 (fair market value) as of December 31, 2018 invested in bond mutual funds which had underlying investments consisting solely of United States government instruments. The bond mutual funds have a maturity of less than 1 year.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$4,516,087 as of December 31, 2019 and \$3,450,186 as of December 31, 2018.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

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

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor’s. The District does not have credit risk policies for investments.

Custodial credit risk: LAMP participants’ investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity’s investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP’s total investments is 43 days as of December 31, 2019. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable.

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

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

**Note 7 - Other Information**

The District had 4,604 and 4,489 active metered customers at December 31, 2019 and 2018, respectively.

**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 113,486	\$ -0-	\$ -0-	\$ 113,486
Construction in Progress	192,814	2,233	-0-	195,047
Capital Assets Being Depreciated:				
Plant and Distribution System	16,575,350	627,589	-0-	17,202,939
Furniture, Fixtures, & Equipment	337,996	5,947	-0-	343,943
Total Capital Assets being Depreciated	16,913,346	633,536	-0-	17,546,882
Less Accumulated Depreciation	9,334,851	488,678	-0-	9,823,529
Total Capital Assets Being Depreciated, Net of Depreciation	7,578,495	144,858	-0-	7,723,353
Total Capital Assets, Net	<u>\$ 7,884,795</u>	<u>\$ 147,091</u>	<u>\$ -0-</u>	<u>\$ 8,031,886</u>

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 113,486	\$ -0-	\$ -0-	\$ 113,486
Construction in Progress	52,345	162,123	21,654	192,814
Capital Assets Being Depreciated:				
Plant and Distribution System	16,244,528	331,521	699	16,575,350
Furniture, Fixtures, & Equipment	335,202	2,794	-0-	337,996
Total Capital Assets being Depreciated	16,579,730	334,315	120,186	16,913,346
Less Accumulated Depreciation	8,860,864	474,682	695	9,334,851
Total Capital Assets Being Depreciated, Net of Depreciation	7,718,866	(140,667)	4	7,578,495
Total Capital Assets, Net	<u>\$ 7,884,697</u>	<u>\$ 21,756</u>	<u>\$ 21,658</u>	<u>\$ 7,884,795</u>

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

**Note 9 - Deferred Compensation Plan**

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. All District employees are permitted to contribute a portion of their salary to the plan. Contributions to the plan by employees equaled \$26,488 for the year ended December 31, 2019, and \$24,655 for the year ended December 31, 2018. The District makes a matching contribution to the plan up to 5% of the employee's compensation. Pension expense for 2019 and 2018 paid by the District was \$25,472 and \$22,954, respectively. This plan is administered by Hartford Life Insurance Company.

**Note 10 - Prior Year Balances**

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

**Note 11 - 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; and natural disasters for which the government carries commercial insurance.

**Note 12 - Restricted Assets**

Restricted assets consist of cash, investments and tax receivables restricted for the retirement of the District's revenue bonds and construction. Restricted assets consisted of the following as of December 31:

	2019	2018
Construction	\$ 131,437	\$ 98,869
Debt Services Funds	<u>158,164</u>	<u>127,767</u>
	<u>\$ 289,601</u>	<u>\$ 226,636</u>

**Note 13 - Other Postemployment Benefits (OPEB)**

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

**Note 13 – Other Postemployment Benefits (OPEB) (Continued)**

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

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

Plan Description: The 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.

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

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.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

***Note 13 – Other Postemployment Benefits (OPEB) (Continued)***

The total OPEB liability for the January 1, 2019 actuarial valuation, with a measurement date of December 31, 2019, and inclusive of the measurement period of January 1, 2019 through December 31, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	2.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 2.74%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.26%, and (c) Fidelity GA AA 20 Years – 2.75%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

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

Balance at 12/31/2018	\$ 249,814
Current Period Changes:	
Service Cost	7,455
Interest on Total OPEB Liability	9,919
Changes in assumptions	92,430
Benefit Payments	( 434)
Net Change in Total OPEB Liability	109,370
Balance at 12/31/2019	\$ 359,184



**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

**Note 13 – Other Postemployment Benefits (OPEB) (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of the Parish, as well as what the Parish’s and District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.9%) or one percentage point higher (3.9%) than the current discount rate of 2.9%:

	1% Decrease (1.9%)	Discount Rate (2.9%)	1% Increase (3.9%)
Total OPEB Liability Parish	\$66,775,520	\$51,697,971	\$41,350,349
Total OPEB Liability District	\$463,939	\$359,184	\$287,291

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

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$39,526,195	\$51,679,971	\$69,329,656
Total OPEB Liability District	\$274,713	\$359,184	\$481,852

**Summary of Deferred Inflows and Outflows**

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ -
Net difference between expected and actual earnings	-	-
Impact due to changes in assumptions	<u>92,340</u>	<u>-</u>
Total	<u>\$ 92,340</u>	<u>\$ -</u>

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018**

*Note 13 – Other Postemployment Benefits (OPEB) (Continued)*

Amortization of impact due to changes in assumptions is over 10 years or \$9,243 per year.

*Note 14 – Subsequent Events*

The District evaluated its December 31, 2019 financial statements for subsequent events through the date of the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated June 8, 2020.

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

In planning and performing my audit of the financial statements, I considered Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of 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.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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  
June 8, 2020

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses  
December 31, 2019**

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

1. Unqualified opinion on financial statements.
2. No material weaknesses or significant deficiencies in internal control noted.
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

**None.**

**C. Prior Year Findings:**

**None**

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

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

**Year Ended December 31, 2019**

**Agency Head: Larry Mouton, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$1,300.00
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	850.00
Conference travel	408.00
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. 9 of Ward 4 of Calcasieu Parish, Louisiana**

**SCHEDULE OF CHANGES TO TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
For The Year Ended December 31, 2019**

Total OPEB Liability	2018	2019	2020	2021	2022
Service Cost	\$ 6,227	\$ 7,455			
Interest	\$ 9,152	\$ 9,919			
Changes in benefit terms	\$ -	\$ -			
Differences between expected and actual	\$ -	\$ -			
Changes in assumptions or other inputs	\$ -	\$ 92,430			
Benefit payments	\$ (446)	\$ (434)			
Net Change in Total OPEB Liability	\$ 14,933	\$ 109,370			
Total OPEB Liability - beginning	\$ 234,881	\$ 249,814			
Total OPEB Liability - ending	\$ 249,814	\$ 359,184			
Covered Employee Payroll	\$ 409,437	\$ 421,802			
Total OPEB Liability as a percentage of covered employee payroll	61.01%	85.15%			

Notes to Schedule:

Changes in Benefit Terms

None

Changes in Assumptions

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

2018	3.90%
2019	2.90%

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

**WATERWORKS DISTRICT NO. 9  
OF WARD 4 OF CALCASIEU  
PARISH, LOUISIANA  
Sulphur, Louisiana**

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

**January 1, 2019 – December 31, 2019**



# STEVEN M. DEROUEN & ASSOCIATES

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

To the Board of Commissioners of Waterworks District No. 9 of Ward 4 of Calcasieu Parish 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. 9 of Ward 4 of Calcasieu Parish 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 period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

## Written Policies and Procedures

1. Obtain 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.
  - k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

***Finding: The District does not have any written policies concerning Disaster Recovery/Business Continuity.***

***Management Response: The District will develop the necessary policies and procedures to address the above area. 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.

*There were no findings in prior year testing, therefore the above procedures are not applicable.*

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.

*There were no findings in prior year testing, therefore the above procedures are not applicable.*

## 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.

***There were no findings in prior year testing, therefore the above procedures are not applicable.***

## Non – Payroll Disbursements –(excluding credit card purchases/payments, and petty cash purchases)

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.

***There were no findings in prior year testing, therefore the above procedures are not applicable.***

#### 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.

***There were no findings in prior year testing, therefore the above procedures are not applicable.***

#### 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](http://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.

*There were no findings in prior year testing, therefore the above procedures are 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).

***There were no findings in prior year testing, therefore the above procedures are 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.

***There were no findings in prior year testing, therefore the above procedures are not applicable.***

#### 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.

***There were no findings in prior year testing, therefore the above procedures are 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.

***There were no findings in prior year testing, therefore the above procedures are 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](http://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.

***There were no findings in prior year testing, therefore the above procedures are not applicable.***

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

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

Steven M. DeRouen & Associates

June 8, 2020  
Lake Charles, Louisiana