

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

**Annual Financial Report
September 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, Schedule of District's Proportionate Share of Net Pension Liability on page 37, and Schedule District's Contributions on page 38, and Schedule of Changes in Total OPEB Liability on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2021 on my consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 15, 2021

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2020**

The Management’s Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended September 30, 2020. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

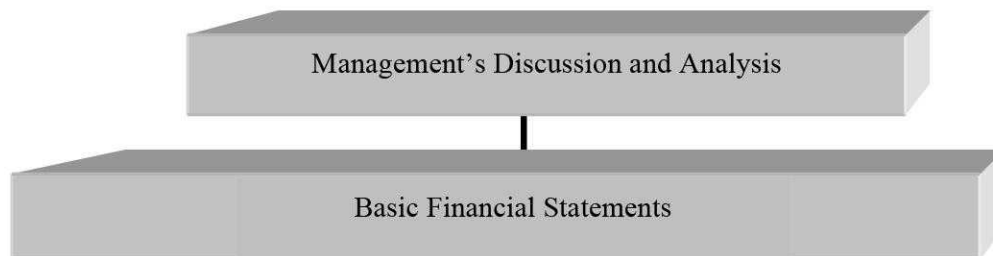
FINANCIAL HIGHLIGHTS

The District’s assets exceeded its liabilities at the close of fiscal year 2020 by \$3,783,479 which represents an 8.2% increase from last fiscal year. Of this amount, \$1,781,941 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue decreased \$5,354 (or 1.0%), operating expenses decreased \$11,434 (or 1.4%) and the net results from operating activities was a loss from operations of \$278,191.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2020**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 7 - 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 9 - 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 11 - 12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2020	2019	2018
Current, other assets and deferred outflows	\$ 2,184,227	\$ 1,882,502	\$ 1,500,086
Capital assets	2,001,538	2,123,614	2,245,092
Total assets and deferred outflows	<u>4,185,765</u>	<u>4,006,116</u>	<u>3,745,178</u>
Other liabilities and deferred inflows	307,114	244,773	286,513
Long-term liabilities	95,172	263,866	67,798
Total liabilities and deferred inflows	<u>402,286</u>	<u>508,639</u>	<u>354,311</u>
Net position:			
Net investment in capital assets	2,001,538	2,123,614	2,212,347
Unrestricted amounts	1,781,941	1,373,863	1,178,520
Total net position	<u>\$ 3,783,479</u>	<u>\$ 3,497,477</u>	<u>\$ 3,390,867</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2020**

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

The net position of the District increased by \$286,002, or 8.2%, from September 30, 2019 to September 30, 2020.

	2020	2019	2018
Operating revenues	\$ 509,754	\$ 515,108	\$ 483,949
Operating expenses	(787,945)	(799,379)	(776,979)
Operating income (loss)	(278,191)	(284,271)	(293,030)
Non-operating revenues (expenses)	564,193	390,881	361,104
Net increase (decrease) in net position	\$ 286,002	\$ 106,610	\$ 68,074

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2020, the District had \$2,001,538, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net decrease (including additions and deductions) of \$122,076, or (5.7%), from last year.

	2020	2019	2018
Land and Right of Ways	\$ 50,480	\$ 50,480	\$ 50,480
Water Plant	4,793,288	4,763,320	4,725,260
Buildings	130,729	130,729	130,729
Furniture, Fixtures, and Equipment	21,895	21,895	21,895
Meters and Equipment	866,829	851,641	844,997
Less Accumulated Depreciation	(3,861,683)	(3,694,451)	(3,528,269)
Totals	\$ 2,001,538	\$ 2,123,614	\$ 2,245,092

This year's major capital addition included above was:

- Water Line Extension \$29,968

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2020**

Debt

The District had no outstanding notes payable at September 30, 2020 or September 30, 2019. A schedule of debt is shown in the table below.

	Outstanding Debt at Year-end		
	2020	2019	2018
Note Payable	\$ -	\$ -	\$ 32,745
Total Debt	\$ -	\$ -	\$ 32,745

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Vige, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.

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

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,882,008	\$ 1,471,125
Restricted assets:		
Cash and cash equivalents	131,202	131,002
Receivables - net of allowance for uncollectible accounts of \$8,403 for 2020 and \$7,738 for 2019	56,003	70,883
Prepaid insurance	21,864	26,906
Total Current Assets	<u>2,091,077</u>	<u>1,699,916</u>
PROPERTY, PLANT, AND EQUIPMENT		
Water plant	4,793,288	4,763,320
Buildings	130,729	130,729
Office furniture and equipment	21,895	21,895
Meters and equipment	866,829	851,641
	<u>5,812,741</u>	<u>5,767,585</u>
Less: accumulated depreciation	<u>(3,861,683)</u>	<u>(3,694,451)</u>
	1,951,058	2,073,134
Land and right-of-ways	50,480	50,480
Net Property, Plant, and Equipment	<u>2,001,538</u>	<u>2,123,614</u>
OTHER ASSETS		
Perpetual service agreement	8,000	8,000
Total Other Assets	<u>8,000</u>	<u>8,000</u>
TOTAL ASSETS	<u>4,100,615</u>	<u>3,831,530</u>
DEFERRED OUTFLOWS		
Deferred outflows of resources related to OPEB	19,275	-
Deferred outflows of resources related to pensions	65,875	174,586
TOTAL DEFERRED OUTFLOWS	<u>85,150</u>	<u>174,586</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,185,765</u>	<u>\$ 4,006,116</u>

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

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

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 6,502	\$ 55,487
Payroll taxes and retirement payable	23,867	21,550
Accrued compensation	42,909	20,468
DHH fees	4,560	4,418
Total Current Liabilities	<u>77,838</u>	<u>101,923</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Customer deposits	31,200	31,000
Deferred tax payable	100,002	100,002
Total Current Liabilities (Payable From Restricted Assets)	<u>131,202</u>	<u>131,002</u>
LONG-TERM LIABILITIES		
Net pension liability (asset)	2,112	194,480
OPEB payable	93,060	69,386
Total Long-Term Liabilities	<u>95,172</u>	<u>263,866</u>
TOTAL LIABILITIES	<u>304,212</u>	<u>496,791</u>
DEFERRED INFLOWS		
Deferred inflows of resources related to pensions	<u>98,074</u>	<u>11,848</u>
NET POSITION		
Net investment in capital assets	2,001,538	2,123,614
Unrestricted amounts	<u>1,781,941</u>	<u>1,373,863</u>
TOTAL NET POSITION	<u>3,783,479</u>	<u>3,497,477</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 4,185,765</u>	<u>\$ 4,006,116</u>

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

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

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water sales and fees	\$ 466,312	\$ 483,138
Member fees	30,300	17,455
Service charge income	5,062	5,175
Late charge income	8,080	9,340
Total Operating Revenues	<u>509,754</u>	<u>515,108</u>
OPERATING EXPENSES		
Advertising	310	426
Board per diem	4,400	5,800
Bank charges	4,671	4,431
Bad debt expense	665	492
Chemicals	34,219	30,093
Depreciation	167,232	166,182
Dues and subscriptions	5,284	5,380
Fuel	9,591	7,973
Insurance	102,289	102,624
Office expenses	7,114	2,906
Payroll taxes and retirement	40,790	68,590
Permits and licenses	535	300
Postage	5,069	6,041
Professional services	33,614	26,967
Professional development	395	859
Repairs and maintenance	12,430	23,378
Salaries	295,247	272,248
Supplies	23,062	28,754
Telephone	6,675	7,232
Travel and meals	414	991
Uniforms	1,165	1,303
Utilities	32,774	36,409
Total Operating Expenses	<u>787,945</u>	<u>799,379</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (278,191)</u>	<u>\$ (284,271)</u>

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

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

	<u>2020</u>	<u>2019</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax revenue	\$ 487,397	\$ 386,940
CPPJ grant revenue	44,525	-
Revenue sharing	3,117	5,132
Interest income	3,695	3,508
Interest expense	-	(425)
Miscellaneous revenues	30,726	6,486
Miscellaneous expenses	(5,267)	(10,760)
Total Non-Operating Revenues (Expenses)	<u>564,193</u>	<u>390,881</u>
CHANGE IN NET POSITION	<u>286,002</u>	<u>106,610</u>
NET POSITION - BEGINNING OF YEAR	3,497,477	3,390,867
NET POSITION - END OF YEAR	<u><u>\$ 3,783,479</u></u>	<u><u>\$ 3,497,477</u></u>

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

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

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 523,969	\$ 530,365
Payments to suppliers	(364,359)	(307,065)
Payments to employees	(272,806)	(274,200)
Other	5,042	(1,200)
Net Cash Provided (Used) by Operating Activities	<u>(108,154)</u>	<u>(52,100)</u>
Cash Flows From Investing Activities:		
Interest income	3,695	3,508
Net Cash Provided (Used) by Investing Activities	<u>3,695</u>	<u>3,508</u>
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(45,156)	(44,704)
Principal payments on long term debt	-	(32,745)
Cash received for ad valorem taxes	487,397	386,940
Intergovernmental - revenue sharing	3,117	5,132
Cash provided from CPPJ grant	44,525	-
Cash provided from miscellaneous income	30,726	6,486
Cash used for miscellaneous expenses	(5,267)	(10,760)
Cash received (disbursed) for customer deposits	200	(2,045)
Interest expense	-	425
Other	-	(1,620)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>515,542</u>	<u>307,109</u>
Net Increase (Decrease) in Cash and Cash Equivalents	411,083	258,517
Cash and Cash Equivalents - Beginning of Year	<u>1,602,127</u>	<u>1,343,610</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,013,210</u></u>	<u><u>\$ 1,602,127</u></u>
Cash and Cash Equivalents:		
Unrestricted	\$ 1,882,008	\$ 1,471,125
Restricted	131,202	131,002
	<u><u>\$ 2,013,210</u></u>	<u><u>\$ 1,602,127</u></u>

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

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

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (278,191)	\$ (284,271)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	167,232	166,182
Provisions for bad debts	665	-
(Increase) decrease in receivables	14,215	(10,615)
(Increase) decrease in prepaid insurance	5,042	104
Increase (decrease) in accounts payable and other accrued expenses	(24,085)	38,640
Increase (decrease) in accrued OPEB liability	23,674	3,890
Increase (decrease) in accrued net pension liability	(192,368)	225,587
Increase (decrease) in deferred inflows	86,226	(78,229)
(Increase) decrease in deferred outflows	89,436	(113,388)
Total Adjustments	<u>170,037</u>	<u>232,171</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (108,154)</u>	<u>\$ (52,100)</u>
 Supplemental Disclosure:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 531</u>

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

The District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”.

The District uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the statement of net position.

Cash and Cash Equivalents

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

Fixed Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations.

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

Depreciation expense for the years ended September 30, 2020 and 2019 was \$167,232 and \$166,182, respectively.

Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

Risk Management

The District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2020 and 2019, the District contributed premiums of \$30,046 and \$32,140, respectively. There were no significant reductions in insurance coverage from the prior year.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

For the years ended September 30, 2020 and 2019, taxes of 6.00 and 6.00 mills, respectively, were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated for the Maintenance Fund.

The following is a schedule of the 2019 property tax calendar that is applicable to the District:

1. Levy date - October, 2019
2. Billing date - November, 2019
3. Collection dates - December, 2019- May, 2020
4. Due dated - On receipt
5. Delinquent date - December 31, 2019
6. Lien date - June, 2020

These taxes, less certain uncollectible amounts, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2020.

Note 2 - Restricted Assets

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds in prior years. Tax revenues received that are dedicated for such purposes are required to be restricted. See note 13 for additional information.

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

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

	2020	2019
General Obligation Bond Fund	\$ 100,002	\$ 100,002
Customer Deposits Fund	31,200	31,000
	<u>\$ 131,202</u>	<u>\$ 131,002</u>

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Note 3 – Long Term Debt

The District had no debt outstanding at September 30, 2020 and 2019:

The following is a summary of debt transactions of the District for the year ended September 30, 2019:

	<u>Note Payable</u>
Outstanding at September 30, 2018	\$ 32,745
Redeemed in Year	<u>(32,745)</u>
Outstanding at September 30, 2019	<u>\$ -0-</u>

Note 4 - Cash and Cash Equivalents

At September 30, 2020 and 2019, the District had cash and cash equivalents (book balances) totaling \$2,013,210 and \$1,602,127, respectively.

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

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned. The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk.

At September 30, 2020, the District had \$2,028,139 in deposits (collected bank balances). These deposits are secured from risk by \$402,612 of federal deposit insurance and \$1,758,253 of pledged securities held in a custodial bank in the District's name.

At September 30, 2019, the District had \$1,607,191 in deposits (collected bank balances). These deposits are secured from risk by \$483,938 of federal deposit insurance and \$1,230,865 of pledged securities held in a custodial bank in the District's name.

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Note 5 - Investments

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

Note 6 - Parochial Employees Retirement System

Plan Description

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

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

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

Eligibility Requirements

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

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

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Note 6 - Parochial Employees Retirement System (Continued)

Retirement Benefits

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

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Note 6 - Parochial Employees Retirement System (Continued)

Survivor Benefits

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

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

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

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

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

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

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

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Note 6 - Parochial Employees Retirement System (Continued)

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

Disability Benefits

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

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases

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

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Note 6 - Parochial Employees Retirement System (Continued)

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2019, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A and 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending September 30, 2020 was 12.25% for Plan A and 7.50% for Plan B. The actual rate for the fiscal year ending September 30, 2019 was 11.50% for Plan A and 7.50% for Plan B.

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

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

At September 30, 2020, the District reported underfunding of \$2,112 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

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

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Note 6 - Parochial Employees Retirement System (Continued)

For the year ended September 30, 2020, the District recognized pension expense of \$36,858. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 18,907
Net difference between projected and actual earnings on pension plan investments	-	79,167
Changes in assumptions	29,496	-
Differences between District contributions and proportionate share of contributions	2,090	-
District contributions made subsequent to the measurement date	34,289	-
Total	\$ 65,875	\$ 98,074

The District's contributions during the year ended September 30, 2020, reported as deferred outflows, of \$31,333, subsequent to the measurement date, will be recognized as reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2021	(14,234)
2022	(19,037)
2023	2,421
2024	(35,638)
Total	(66,488)

Actuarial Methods and Assumptions

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

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Note 6 - Parochial Employees Retirement System (Continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability (asset) as of December 31, 2019 are as follows:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50%, net of investment expense
Projected Salary Increases	Plan A - 4.75%, Plan B - 4.25%
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Inflation Rate	2.40%

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Note 6 - Parochial Employees Retirement System (Continued)

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.18% for the year ended December 31, 2019.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2019 are summarized in the following table:

	Target Asset	Long-Term Expected
<u>Asset Class</u>	<u>Allocation</u>	<u>Portfolio Real Rate of Return</u>
Fixed income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real assets	2%	0.11%
Totals	100%	5.18%
Inflation		2.00%
Expected Arithmetic Nominal		
Return		7.18%

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Note 6 - Parochial Employees Retirement System (Continued)

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

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 6.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

Changes in Discount Rate			
	1%	Current Discount	1%
	Decrease	Rate	Increase
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$228,263	\$2,112	\$(187,398)

Retirement System Audit Report

The Parochial Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2019. Access to the report can be found on the Louisiana Legislative Auditor's website, www.la.gov.

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Note 7 - Management Estimates

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

Note 8 - Prior Year Balances

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

Note 9 – Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	50,480	-	-	50,480
Capital Assets Being Depreciated:				
Water Plant	4,763,320	29,968	-	4,793,288
Buildings	130,729	-	-	130,729
Office Furniture and Equipment	21,895	-	-	21,895
Meters and Equipment	851,641	15,188	-	866,829
Total Capital Assets Being Depreciated	5,767,585	45,156	-	5,812,741
Less Accumulated Depreciation	3,694,451	167,232	-	3,861,683
Total Capital Assets Being Depreciated, Net of Depreciation	2,073,134	(122,076)	-	1,951,058
Total Capital Assets, Net	\$ 2,123,614	\$ (122,076)	\$ -	\$ 2,001,538

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Note 9 – Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Total Capital Assets Not Being Depreciated	50,480	-	-	50,480
Capital Assets Being Depreciated:				
Water Plant	4,725,260	38,060	-	4,763,320
Buildings	130,729	-	-	130,729
Office Furniture and Equipment	21,895	-	-	21,895
Meters and Equipment	844,997	6,644	-	851,641
Total Capital Assets Being Depreciated	5,722,881	44,704	-	5,767,585
Less Accumulated Depreciation	3,528,269	166,182	-	3,694,451
Total Capital Assets Being Depreciated, Net of Depreciation	2,194,612	(121,478)	-	2,073,134
Total Capital Assets, Net	\$ 2,245,092	\$ (121,478)	\$ -	\$ 2,123,614

Note 10 - Perpetual Servitude

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

Note 11 – Other Postemployment Benefits (OPEB)

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

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 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.

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

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

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

While there is no specific written plan for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Employees Covered: Employees who have twenty (20) years of cumulative service at retirement will be eligible for the above referenced retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. Retirees are required to contribute one hundred percent (100%) of the monthly retiree premium for benefits elected.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability for the 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:

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

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 Parish's total OPEB liability for the current year:

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year	\$25,609,107	\$25,609,107	\$14,698,859	\$40,307,966
Current Period Changes:				
Service Cost	457,160	457,160	280,940	738,100
Interest on Total OPEB Liability	917,155	917,155	534,713	1,451,868
Changes in Assumptions**	6,402,507	6,402,507	3,928,299	10,330,806
Benefit Payments	<u>(771,293)</u>	<u>(771,293)</u>	<u>(377,476)</u>	<u>(1,148,769)</u>
Net Change in Total OPEB Liability	7,005,529	7,005,529	4,366,476	11,372,005
Total OPEB Obligation at End of Year – Measurement Date	<u>\$32,614,636</u>	<u>\$32,614,636</u>	<u>\$19,065,335</u>	<u>\$51,679,971</u>
** Changes in assumptions reflect a decrease of 1.0% in the discount rate from 3.9% for 2018 to 2.9% for 2019.				

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 11 – 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	\$42,141,263	\$32,614,636	\$26,095,731
Total OPEB Liability District	\$120,243	\$93,060	\$74,459

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 (7%) or one percentage point higher (9%) than the current healthcare cost trend rate of 8%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$24,944,528	\$32,614,636	\$43,753,150
Total OPEB Liability District	\$71,175	\$93,060	\$124,842

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2020 and 2019, the District recognized OPEB expense of \$4,399 and \$3,890, respectively. At December 31, 2018, the Parish did not report any deferred outflows of resources or deferred inflows of resources related to OPEB since this was the first year of implementation for GASB 75 and the valuation was inclusive of January 1, 2018 through December 31, 2018 activity.

Summary of Deferred Inflows and Outflows of Resources at September 30, 2020:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ -
Net difference between expected and actual earnings	-	-
Impact due to changes in assumptions	19,275	-
Total	\$ 19,275	\$ -

Amortization of impact due to changes in assumptions is over 10 years or \$1,927.50 per year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

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

Net OPEB Obligation at September 30, 2019	\$ 69,386
Current Period Changes:	
Service Cost	2,866
Interest on Total OPEB Liability	2,556
Changes in Assumptions	19,275
Benefit Payments	(1,023)
Net Change in Total OPEB Liability	23,674
Net OPEB Obligation at September 30, 2020	<u>\$ 93,060</u>
District's Proportionate Percentage of Total Parish OPEB Obligation	0.2%

Note 12 – Board of Commissioner's Fees

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

	2020	2019
Donna Gayle	\$ 1,100	\$ 1,200
Edwin Peterson	-	400
Stoney Martin	100	700
Ivan J. Tarou	1,100	1,300
Ted B. Chapman	1,100	1,400
Brock Peterson	1,000	800
Total	<u>\$ 4,400</u>	<u>\$ 5,800</u>

Note 13 – Deferred Tax Payable

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

Note 14 - Subsequent Events

The District evaluated its September 30, 2020 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

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Member Louisiana Society of
Certified Public Accountants

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

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

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses Item 2020-001 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 15, 2021

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Responses
September 30, 2020**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2020-001
3. No instances of non-compliance noted.

B. GAGAS Findings:

2020-001 Segregation of Duties –

Condition: A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. Commissioners have implemented supervision and review procedures to the extent possible. This a repeat finding.

C. Summary of Prior Year Findings:

2019-001 Segregation of Duties –

A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

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

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

Year Ended September 30, 2020

Agency Head: Ivan J. Tarou, Board President

Purpose	Amount
Commissioner Fees	\$ 1,100.00
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the District's Proportionate Share of the Net Pension Liability
For The Year Ended September 30, 2020**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.038%	0.039%	0.041%	0.044%	0.045%
District's proportionate share of the net pension liability (asset)	\$ 98,716	\$ 80,426	\$ (30,443)	\$ 194,480	\$ 2,112
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869	\$ 271,726	\$ 272,806
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.7%	31.92%	-11.28%	71.57%	0.77%
Plan fiduciary net position as a percentage of the total pension liability	92.23%	94.15%	101.98%	88.86%	99.89%

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

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the District's Contributions
For The Year Ended September 31, 2020**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097	\$ 31,333	\$ 34,289
Contributions in relation to the contractually required contribution	\$ 34,946	\$ 33,266	\$ 22,097	\$ 31,333	\$ 34,289
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 220,765	\$ 252,000	\$ 269,869	\$ 271,726	\$ 272,806
Contributions as a percentage of covered-employee payroll	15.8%	13.2%	8.2%	11.5%	12.6%

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

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

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
OF CALCASIEU PARISH, LOUISIANA
DeQuincy, Louisiana
Other Postemployment Benefits -
Schedule of Changes in Total OPEB Liability and Related Ratios
For The Year Ended September 30, 2020**

	2019	2020	2021	2022	2023
Total OPEB Liability					
Service Cost	\$ 2,394	\$ 2,866			
Interest on Total OPEB Liability	2,534	2,556			
Changes in benefit terms	-	-			
Differences between expected and actual	-	-			
Changes in assumptions or other inputs	-	19,275			
Benefit payments	(1,035)	(1,023)			
Net Change in Total OPEB Liability	<u>3,893</u>	<u>23,674</u>			
Total OPEB Liability - Beginning	<u>65,496</u>	<u>69,389</u>			
Total OPEB Liability - Ending	<u>\$ 69,389</u>	<u>\$ 93,063</u>			
Covered Employee Payroll	\$ 260,000	\$ 272,642			
Total OPEB liability as a percentage of covered employee payroll	26.69%	34.13%			

Notes to Schedule:

Changes in Benefit Terms

None

Changes in Assumptions

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

2019	3.90%
2020	2.90%

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.