

**WATERWORKS DISTRICT 4 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana**

---

**Financial Statements  
April 30, 2020 and 2019**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 20
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 <i>Government Auditing Standards</i>	21 - 22
Schedule of Findings and Responses	23 - 24
Schedule of Compensation, Benefits and Other Payments	25

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Waterworks District 4 of Ward 4  
of Calcasieu Parish, Louisiana  
Westlake, Louisiana

### Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of April 30, 2020 and 2019, 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.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana as of April 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

## 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 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 my report dated November 9, 2020 on my consideration of Waterworks District 4 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 4 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 4 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  
November 9, 2020

**WATERWORKS DISTRICT NO. 4 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF APRIL 30, 2020**

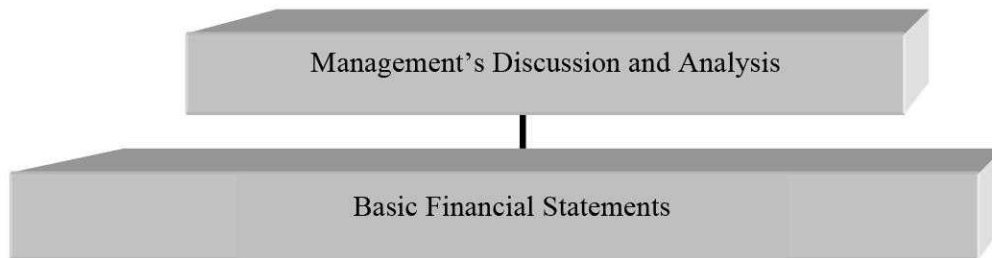
The Management’s Discussion and Analysis of the Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended April 30, 2020. This document focuses on the current 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 \$1,958,949 which represents a .1% decrease from last fiscal year. Of this amount, \$529,880 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue increased \$13,766 (or1.9%) and the net results from operations increased by \$740.

**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. 4 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF APRIL 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 Fund 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 fund 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) 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 fund 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 Statement of Cash Flow (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**

	2020	2019	2018
Current and other assets	\$ 876,735	\$ 987,611	\$ 1,063,045
Capital assets	2,754,488	2,773,671	2,752,886
Total assets	<u>3,631,488</u>	<u>3,761,282</u>	<u>3,815,931</u>
Other liabilities	162,540	193,343	158,448
Long-term debt outstanding	1,510,000	1,590,000	1,665,000
Total liabilities	<u>1,672,540</u>	<u>1,783,343</u>	<u>1,823,448</u>
Net position:			
Net investment in capital assets	1,244,753	1,183,671	1,088,272
Amounts restricted for debt service	184,315	179,439	174,707
Unrestricted amounts	529,880	614,829	729,504
Total net position	<u>\$1,958,948</u>	<u>\$1,977,939</u>	<u>\$ 1,992,483</u>

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.

**WATERWORKS DISTRICT NO. 4 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF APRIL 30, 2020**

The net position of the District decreased by \$18,993, from April 30, 2019 to April 30, 2020.

	2020	2019	2018
Operating revenues	\$728,814	\$ 715,048	\$ 737,594
Operating expenses	(728,264)	( 715,238)	(721,019)
Operating income (loss)	550	(190)	16,575
Non-operating revenues (expenses)	(19,543)	(14,354)	(2,822)
Net increase (decrease) in net position	\$(18,993)	\$ (14,544)	\$ 13,723

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of April 30, 2020, the District had \$2,754,753, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$18,918, from last year.

	2020	2019	2018
Land and Right of Ways	\$ 26,857	\$ 26,857	\$ 26,857
Plant and Distribution System	4,683,369	4,569,314	4,411,784
Furniture, Fixtures, and Equipment	270,290	270,290	292,432
Less Accumulated Depreciation	(2,225,763)	(2,092,790)	(1,978,187)
Totals	\$2,754,753	\$ 2,773,671	\$ 2,752,886

This year's major capital addition included above was:

- Storage Tank Improvements \$ 46,090
- Distribution line upgrades \$ 99,421

**WATERWORKS DISTRICT NO. 4 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF APRIL 30, 2020**

**Debt**

The District issued \$2,000,000 of Water Revenue Bonds, Series 2012, during the fiscal year ending April 30, 2013. The bonds were dated August 1, 2012. These bonds were issued for the purpose of funding the plant expansion project. The outstanding balance on these bonds is \$1,510,000, \$1,590,000 and \$1,665,000 at April 30, 2020, 2019 and 2018, respectively.

The District's Series 2012 Water Revenue Bonds are un-rated.

**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 Crystal Broussard, Office Manager, Waterworks District No. 4 of Ward 4 of Calcasieu Parish.



**WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Statements of Net Position**  
**As of April 30,**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 367,674	\$ 510,910
Restricted assets:		
Cash restricted for debt service	279,670	270,342
Cash restricted for meter deposits	111,075	105,645
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2020 & 2019	107,644	100,714
Prepaid insurance	10,672	-
Total Current Assets	876,735	987,611
<b>Property, Plant and Equipment</b>		
Furniture, fixtures, and equipment	220,034	220,034
Parking lot	20,500	20,500
Trucks	50,256	50,256
Water wells	673,355	673,355
Water tank	959,103	913,013
Distribution system	2,627,526	2,531,364
Fluoridation system	24,214	24,214
Plant and buildings	375,412	375,412
	4,950,400	4,808,148
Accumulated depreciation	(2,225,763)	(2,092,790)
	2,724,637	2,715,358
Construction in progress	3,259	31,456
Land	26,857	26,857
Net Property, Plant, and Equipment	2,754,753	2,773,671
<b>TOTAL ASSETS</b>	<b>\$ 3,631,488</b>	<b>\$ 3,761,282</b>

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

**WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Statements of Net Position (Continued)**  
**As of April 30,**

<b>LIABILITIES AND NET POSITION</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Current Liabilities</b>		
Accounts payable	\$ 29,809	\$ 61,599
Payroll taxes payable	563	284
Accrued compensation	10,738	14,912
Accrued interest - payable from restricted assets	10,355	10,903
Meter deposits - payable from restricted assets	111,075	105,645
Due within one year - revenue bonds (Note 8)	85,000	80,000
Total Current Liabilities	<u>247,540</u>	<u>273,343</u>
<b>Long-Term Debt</b>		
Due in more than one year - revenue bonds (Note 8)	1,425,000	1,510,000
Total Long-Term Debt	<u>1,425,000</u>	<u>1,510,000</u>
Total Liabilities	<u>1,672,540</u>	<u>1,783,343</u>
<b>Net Position</b>		
Net investment in capital assets	1,244,753	1,183,671
Amounts restricted for debt service	184,315	179,439
Unrestricted amounts	529,880	614,829
Total Net Position	<u>1,958,948</u>	<u>1,977,939</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 3,631,488</u></u>	<u><u>\$ 3,761,282</u></u>

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

**WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended April 30,**

	<u>2020</u>	<u>Percent</u>	<u>2019</u>	<u>Percent</u>
<b>OPERATING REVENUES</b>				
Water sales	\$ 681,140	93.5%	\$ 654,992	91.6%
Meter tap revenue	11,400	1.6%	21,003	2.9%
Service charges	7,978	1.1%	9,165	1.3%
Late charges/delinquent fees	28,296	3.9%	29,888	4.2%
Total Operating Revenues	<u>728,814</u>	<u>100.0%</u>	<u>715,048</u>	<u>100.0%</u>
<b>OPERATING EXPENSES</b>				
Salary - superintendent	77,141	10.6%	72,683	10.2%
Salary - office	66,215	9.1%	63,260	8.8%
Transmission labor	41,511	5.7%	56,245	7.9%
Contract labor	10,089	1.4%	5,768	0.8%
Insurance	139,596	19.2%	106,305	14.9%
Payroll taxes	14,460	2.0%	15,715	2.2%
Retirement benefit	7,478	1.0%	9,010	1.3%
Office supplies and postage	11,766	1.6%	10,517	1.5%
Meeting expense	6,600	0.9%	6,800	1.0%
Telephone and tower communications	12,047	1.7%	11,781	1.6%
Utilities	25,913	3.6%	29,069	4.1%
Billing and meter reading	32,688	4.5%	28,707	4.0%
Truck expense	3,627	0.5%	5,905	0.8%
Maintenance and repairs	99,960	13.7%	107,610	15.0%
Chemicals and supplies	27,075	3.7%	22,684	3.2%
Depreciation	132,973	18.2%	136,745	19.1%
Legal and professional	12,750	1.7%	15,000	2.1%
Equipment rental	1,850	0.3%	7,352	1.0%
Water purchases	953	0.1%	404	0.1%
Miscellaneous	1,609	0.2%	2,642	0.4%
Bad debt expense	1,963	0.3%	1,036	0.1%
Total Operating Expenses	<u>728,264</u>	<u>99.9%</u>	<u>715,238</u>	<u>100.0%</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>550</u>	<u>0.1%</u>	<u>(190)</u>	<u>0.0%</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	1,057	0.1%	1,255	0.2%
Grant income	-	0.0%	-	0.0%
Interest expense	(48,545)	-6.7%	(50,599)	-7.1%
DHH fees collected	21,820	3.0%	21,375	3.0%
DHH fees disbursed	(15,475)	-2.1%	(18,433)	-2.6%
Miscellaneous income	21,600	3.0%	32,048	4.5%
Total Non-Operating Revenues (Expenses)	<u>(19,543)</u>	<u>-2.7%</u>	<u>(14,354)</u>	<u>-2.0%</u>
<b>CHANGE IN NET POSITION</b>	<u>(18,993)</u>	<u>-2.6%</u>	<u>(14,544)</u>	<u>-2.0%</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,977,939</u>		<u>1,992,483</u>	
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,958,946</u>		<u>\$ 1,977,939</u>	

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

**WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Statements of Cash Flows**  
**For the Years Ended April 30,**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 721,884	\$ 718,714
Payments to suppliers	(438,642)	(385,269)
Payments to employees	(189,041)	(195,313)
Other	(8,535)	5,023
Net Cash Provided (Used) in Operating Activities	85,666	143,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned	1,057	1,255
Other income (expense)	27,399	34,990
Net Cash Provided (Used) in Investing Activities	28,456	36,245
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of fixed assets	(114,055)	(110,913)
Cash received from grants	-	-
Principal paid on bonds	(80,000)	(75,000)
Interest paid on bonds	(48,545)	(51,114)
Net Cash (Used) in Capital and Related Financing Activities	(242,600)	(237,027)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(128,478)	(57,627)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	886,897	944,524
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 758,419	\$ 886,897
<b>Cash and Cash Equivalents:</b>		
Restricted	\$ 390,745	\$ 375,987
Unrestricted	367,674	510,910
	\$ 758,419	\$ 886,897

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

**WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended April 30,**

	<b>2020</b>	<b>2019</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 550	\$ (190)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	132,973	136,745
(Increase) decrease in receivables	(6,930)	3,666
(Increase) decrease in prepaid expenses	(10,672)	14,141
Increase (decrease) in accounts payable	(31,790)	(7,195)
Increase (decrease) in accrued compensation	(4,174)	(3,125)
Increase (decrease) in restricted refundable meter deposits	5,430	2,670
Increase (decrease) in payroll taxes	279	(3,557)
Total Adjustments	85,116	143,345
Net Cash Provided (Used) by Operating Activities	\$ 85,666	\$ 143,155
 <b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 49,093	\$ 51,114

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements  
April 30, 2020 and 2019

*Note 1 - Summary of Significant Accounting Policies*

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury in 1971. 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, the Waterworks District 4 of Ward 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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

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

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.

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.

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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

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

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 balance sheet.

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.

Property, Plant, Equipment, and Construction in Progress

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 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 – 10 years
Trucks	5 years
Water wells	10 – 50 years
Water tank	10 – 50 years
Distribution system	10 – 50 years
Plant and buildings	20 – 40 years
Land improvements	15 years

Depreciation amounted to \$132,973 and \$136,745 for the years ended April 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

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



WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

*Note 2 - Meeting Expense*

Members of the Board of Commissioners are currently paid a \$100 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

	April 30, 2020		April 30, 2019	
Member	Total Meetings	Expense	Total Meetings	Expense
Doug Fleming	13	\$ 1,300	13	\$ 1,300
Michael Bergeron	13	1,300	14	1,400
Jack Bartlett	13	1,300	13	1,300
Kenneth Cochran	13	1,300	14	1,400
O.L. Johnson	14	<u>1,400</u>	14	<u>1,400</u>
		<u>\$ 6,600</u>		<u>\$ 6,800</u>

*Note 3 - Accrued Vacation and Compensation*

The District's liability for accumulated unpaid vacation and compensation as of April 30, 2020 and 2019, totaling \$10,738 and \$14,912, respectively, has been accrued at prevailing wage rates.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

*Note 4 - Retirement Benefits*

The District implemented a Simplified Employee Pension Plan (SEPP) for its employees during the year ended April 30, 1987. This is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The SEP's are under the custody of National Life Group. Employer contributions under this Plan shall be at the employer's discretion and based upon the total compensation of each participant. The District currently contributes 6% of the salary of qualifying full-time employees to this plan. Employees are not allowed to make contributions to the plan. The employer contributions are fully vested and non-forfeitable. The contributions for years 2020 and 2019 were \$7,478 and \$9,010, respectively.

*Note 5 - Cash and Cash Equivalents*

At April 30, 2020 and 2019, the District had cash and cash equivalents (book balances) totaling \$758,419 and \$886,897, respectively.

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

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

At April 30, 2020, the District had \$757,547 in deposits (collected bank balances). These deposits are secured from risk by \$410,112 of federal deposit insurance and \$355,000 of pledged securities held in a custodial bank in the District's name

At April 30, 2019, the District had \$877,535 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$455,000 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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

**Note 5 - Cash and Cash Equivalents (Continued)**

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 - Restricted Assets**

Restricted assets consist of cash and receivables restricted for construction, the purchase of equipment, the retirement of the District's revenue bonds and meter deposits of users. The following is a schedule of restricted assets as of April 30:

	2020	2019
Debt Services Funds	\$ 279,670	\$ 270,342
Meter Deposits	<u>111,075</u>	<u>105,645</u>
	<u>\$ 390,745</u>	<u>\$ 375,987</u>

**Note 7 - Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land and construction in progress	\$ 58,313	\$ 3,259	\$31,456	\$ 30,116
Capital Assets Being Depreciated:				
Plant and Distribution System	4,537,858	142,252	-	4,680,110
Furniture, Fixtures, & Equipment	<u>270,290</u>	<u>-</u>	<u>-</u>	<u>270,290</u>
Total Capital Assets being Depreciated	4,808,148	142,252	-	4,950,400
Less Accumulated Depreciation	<u>2,092,790</u>	<u>132,973</u>	<u>-</u>	<u>2,225,763</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,715,358</u>	<u>9,279</u>	<u>-</u>	<u>2,724,637</u>
Total Capital Assets, Net	<u>\$2,773,671</u>	<u>\$ 12,538</u>	<u>\$31,456</u>	<u>\$2,754,753</u>

**WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Notes to Financial Statements (Continued)**  
**April 30, 2020 and 2019**

**Note 7 - Capital Assets (Continued)**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and construction in progress	\$ 26,857	\$ 31,456	\$ -	\$ 58,313
Capital Assets Being Depreciated:				
Plant and Distribution System	4,411,784	126,074	-	4,537,858
Furniture, Fixtures, & Equipment	<u>292,432</u>	<u>-</u>	<u>22,142</u>	<u>270,290</u>
Total Capital Assets being Depreciated	4,704,216	126,074	22,142	4,808,148
Less Accumulated Depreciation	<u>1,978,187</u>	<u>136,745</u>	<u>22,142</u>	<u>2,092,790</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,726,029</u>	<u>(10,671)</u>	<u>-</u>	<u>2,715,358</u>
Total Capital Assets, Net	<u>\$2,752,886</u>	<u>\$ 20,785</u>	<u>\$ -</u>	<u>\$2,773,671</u>

**Note 8 - Changes in Long-Term Debt**

The following is a summary of revenue bonds payable transactions of the District for the year ended April 30, 2020 and 2019:

Outstanding at April 30, 2019	\$ 1,590,000
Bonds retired	<u>80,000</u>
Outstanding at April 30, 2020	\$ <u>1,510,000</u>
Outstanding at April 30, 2018	\$ 1,665,000
Bonds retired	<u>75,000</u>
Outstanding at April 30, 2019	\$ <u>1,590,000</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

**Note 8 - Changes in Long-Term Debt (Continued)**

Long-term debt at April 30, consists of the following: 2020                      2019

\$2,000,000 Water Revenue Bonds, 2012 Series; dated August 1, 2012; due in annual principal and semi-annual interest installments; annual total debt service payments of \$114,037 to \$157,126, including interest at 2.743%, through the year 2032; secured by pledged revenues of the waterworks system \$1,510,000                      \$1,590,000

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

Year Ending April 30,	Principal	Interest	Total
2021	\$ 85,000	\$ 40,254	\$ 125,254
2022	90,000	37,853	127,853
2023	95,000	35,316	130,316
2024	100,000	32,642	132,642
2025	100,000	29,899	129,899
2026-2030	600,000	88,599	688,599
2031-2033	440,000	18,517	458,517
Total	<u>\$ 1,510,000</u>	<u>\$ 283,080</u>	<u>\$ 1,793,080</u>

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

**Note 9 - Compliance with Bond Covenants**

The revenue bond agreement with JPMorgan Chase Bank contains various requirements relating to reserves, financial ratios, operating results, etc. The District did not meet the rate covenant for year ending April 30, 2020 and 2019.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana  
Notes to Financial Statements (Continued)  
April 30, 2020 and 2019

*Note 10 - Prior Year Balances*

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets.

*Note 11 - Subsequent Events*

The District evaluated its April 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

*Certified Public Accountants*

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

Member American Institute of  
Certified Public Accountants

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. 4 of Ward 4  
of Calcasieu Parish, Louisiana  
Westlake, 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. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated November 9, 2020.

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

In planning and performing my audit of the financial statements, I considered Waterworks District No. 4 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. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

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. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2020-02 to be a material weakness.

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

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. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2020-01 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 4 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 instance of noncompliance or other matters, items 2020-03 that are required to be reported under *Government Auditing Standards*.

### **Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's Response to Findings**

Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The District's responses were 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  
November 9, 2020



**WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**  
**Schedule of Findings and Responses**  
**For the Year Ended April 30, 2020**

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

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2020-01; material weakness in internal control – refer to B. 2020-02.
3. Item 2020-03 instance of noncompliance noted.

**B. GAGAS Findings:**

**2020-01 Segregation of Duties –**

**Condition:** A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. This is a repeat finding.

**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 weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Commissioners have implemented supervision and review procedures to the extent possible.

**2020-02 Financial Statement Reporting –**

**Condition:** The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. This is a repeat finding.

**Criteria:** Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**Effect:** Misstatements in financial statements could go undetected.

**Recommendation:** Management should have heightened awareness of all transactions being reported. Management should consider contracting an accountant to assist in the financial reporting process.

**Response:** Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

**2020-03 Non-compliance With Bond Covenant –**

**Condition:** Per the bond covenants contained in the Series 2012 \$2,000,000 Water Revenue Bonds, the District is required to produce net revenues equal to or greater than 120% of the highest combined principal and interest requirements on the bonds. The District did not meet said covenant.

**Recommendation:** Management should immediately revise water rates to obtain such coverage of 120% of the highest combined principal and interest requirements of the bonds.

**Response:** Management will implement revised water rates to obtain compliance with the bond covenants.

**C. Prior Year Findings:**

**2019-01 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.

**2019-02 Financial Statement Reporting –** The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**2019-03 Non-compliance With Bond Covenant –** Per the bond covenants contained in the Series 2012 \$2,000,000 Water Revenue Bonds, the District is required to produce net revenues equal to or greater than 120% of the highest combined principal and interest requirements on the bonds. The District did not meet said covenant.

**WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA**  
**Westlake, Louisiana**

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

**For the Year Ended April 30, 2020**

**Agency Head: Michael Bergeron, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$1,300
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

**Note: This schedule is included as supplementary information.**