

**WATERWORKS DISTRICT NO. 8
OF WARDS 3 AND 8 OF
CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana**

**Annual Financial Report
June 30, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's basic financial statements. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's 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 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and compliance.

Steven M DeRouen & Associates LLC

Lake Charles, Louisiana
December 28, 2023

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

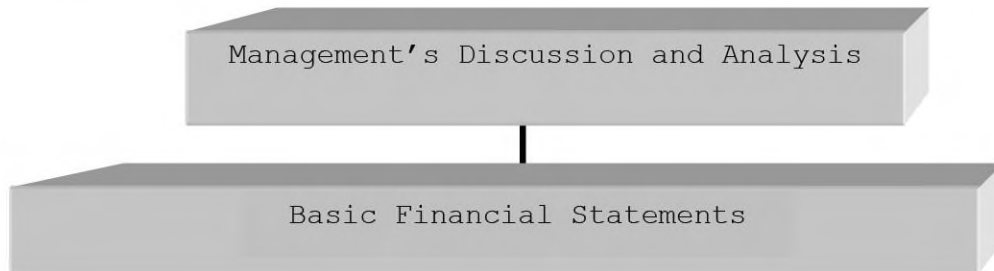
The Management’s Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2023. This document focuses on 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 2023 by \$1,990,852 (net assets) which represents a 13% decrease from last fiscal year.
- ★ The District’s operating revenue increased \$148,937 (or 14%), operating expenses increased \$114,881 (or 6.8%) and the net result from operating activities was a loss from operations of \$560,537.

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. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

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 Statements 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 Statements 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 net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statements (pages 10 - 11) presents information showing how the District’s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2023	2022	2021
Current and other assets	\$234,384	\$357,263	\$641,187
Capital assets	4,024,501	4,456,413	4,984,410
Total assets	<u>4,258,815</u>	<u>4,813,676</u>	<u>5,535,597</u>
Other liabilities	465,963	617,059	631,130
Long-term debt outstanding	1,802,000	1,909,000	2,169,000
Total liabilities	<u>2,267,963</u>	<u>2,526,059</u>	<u>2,802,130</u>
Net position:			
Invested capital assets, net of debt	2,222,501	2,547,413	2,725,410
Restricted for debt service	-0-	-0-	39,842
Unrestricted	(231,649)	(259,796)	(31,785)
Total net position	<u>\$1,909,852</u>	<u>\$2,287,617</u>	<u>\$2,733,467</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023**

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

Net position of the District decreased by \$296,765 from June 30, 2022 to June 30, 2023.

	2023	2022	2021
Operating revenues	\$1,241,416	\$1,092,479	\$1,163,895
Operating expenses	1,801,953	1,687,072	1,691,495
Operating income (loss)	(560,537)	(594,593)	(527,600)
Non-operating revenues (expenses)	263,772	148,743	191,440
Net increase (decrease) in net position	<u>\$(296,765)</u>	<u>\$(445,850)</u>	<u>\$(336,160)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had \$4,024,501 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 \$431,912, or 10%, over last year.

	2023	2022	2021
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	-0-	212,593	366,410
Plant and Distribution System	9,475,842	9,395,619	9,449,448
Furniture, Fixtures, and Equipment	484,164	484,164	490,434
Less Accumulated Depreciation	(5,956,655)	(5,657,113)	(5,433,032)
Totals	<u>\$ 4,024,501</u>	<u>\$ 4,456,413</u>	<u>\$ 4,894,410</u>

This year’s Major Capital additions included above were:

- Radio Read Project \$ 80,223

Debt

The District had \$1,802,000 in bonds outstanding at year-end, compared to \$1,909,000 last year, a decrease of 6%. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue Bonds	<u>\$ 1,802,000</u>	<u>\$ 1,909,000</u>	<u>\$ 2,169,000</u>
Totals	<u>\$ 1,802,000</u>	<u>\$ 1,909,000</u>	<u>\$ 2,169,000</u>

The District’s 2009 Water Revenue Bonds and Series 2018 bonds are un-rated.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide my 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 Deborah Fontenot, Board President, Waterworks District No 8 Of Wards 3 And 8 of Calcasieu Parish

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statements of Net Position
As of June 30,**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 32,840	\$ 58,422
Receivables (net of allowances for uncollectibles of \$1,000 for 2021 and \$1,000 for 2020)		
Water sales	100,721	113,850
Unbilled water sales	24,974	26,798
Taxes	8,250	787
Prepaid expense	26,137	22,397
Total Current Assets	192,922	222,254
RESTRICTED ASSETS		
Cash and equivalents	41,392	135,009
Total Restricted Assets	41,392	135,009
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	9,475,842	9,395,619
Furniture, fixtures, and equipment	484,164	484,164
	9,960,006	9,879,783
Less accumulated depreciation	(5,956,655)	(5,657,113)
	4,003,351	4,222,670
Construction in progress	-	212,593
Land	21,150	21,150
Net Property, Plant, and Equipment	4,024,501	4,456,413
TOTAL ASSETS	\$ 4,258,815	\$ 4,813,676

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statements of Net Position (Continued)
As of June 30,**

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 53,529	\$ 214,096
Accrued wages	205,593	171,799
Payroll and sales tax payable	4,677	28,459
	<u>263,799</u>	<u>414,354</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	3,144	24,735
Current portion of revenue bonds	110,000	107,000
Customer deposits	199,020	177,970
	<u>312,164</u>	<u>309,705</u>
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion)	1,692,000	1,802,000
	<u>1,692,000</u>	<u>1,802,000</u>
Total Long-Term Liabilities	<u>1,692,000</u>	<u>1,802,000</u>
Total Liabilities	<u>2,267,963</u>	<u>2,526,059</u>
NET POSITION		
Investment in capital assets (net of related debt)	2,222,501	2,547,413
Unrestricted	(231,649)	(259,796)
	<u>1,990,852</u>	<u>2,287,617</u>
Total Net Position	<u>1,990,852</u>	<u>2,287,617</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,258,815</u>	<u>\$ 4,813,676</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statements of Revenue, Expense, and Changes in Net Position
For the Years Ended June 30,**

	2023	2022
OPERATING REVENUES		
Water sales, fees and late charges	\$ 1,218,926	\$ 1,067,419
Tap fees	22,490	25,060
Total Operating Revenues	1,241,416	1,092,479
OPERATING EXPENSES		
Accounting and audit	24,550	20,750
Legal fees	-	1,300
Commissioner's fees	7,200	5,800
Office supplies and postage	64,008	39,721
Plant supplies and maintenance	402,079	371,847
Miscellaneous	64,111	57,705
Insurance	188,621	160,846
Truck expense	90,063	114,132
Telephone	20,385	16,503
Utilities	59,044	45,957
Salaries and payroll taxes	533,664	502,869
Depreciation	299,542	298,066
Uniforms and cleaning	4,797	6,131
Retirement expense	4,440	5,420
Total Operating Expenses	1,801,953	1,687,072
INCOME (LOSS) FROM OPERATIONS	(560,537)	(594,593)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	147,671	141,030
Interest income	109	-
Interest and fiscal charges	(51,488)	(51,572)
Hurricane insurance reimbursements	-	24,107
Miscellaneous income	167,480	35,178
Total Non-Operating Revenues (Expenses)	263,772	148,743
CHANGE IN NET POSITION	(296,765)	(445,850)
NET POSITION AT BEGINNING OF YEAR	2,287,617	2,733,467
NET POSITION AT END OF YEAR	\$ 1,990,852	\$ 2,287,617

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statement of Cash Flows
For the Year Ended June 30,**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 1,256,369	\$ 1,065,771
Payment to suppliers	(1,132,334)	(890,226)
Payment to employees and benefits	(524,372)	(460,648)
	(400,337)	(285,103)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	-	212,056
Interest income received	109	-
	109	212,056
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(4,550)	(218,531)
Principal paid on bonds	(107,000)	(260,000)
Interest paid	(73,079)	(31,545)
Ad valorem taxes received	140,208	141,030
Miscellaneous and other income received	167,480	217,524
Increase(decrease) in customer deposits, net	7,631	74,230
Net Cash Provided (Used) by Capital and Related Financing Activities	130,690	(77,292)
Net Increase (Decrease) in Cash	(269,538)	(150,339)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	343,770	343,770
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 74,232	\$ 193,431
Cash and Cash Equivalents:		
Unrestricted	32,840	58,422
Restricted	41,392	135,009
	\$ 74,232	\$ 193,431

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statement of Cash Flows (Continued)
For the Year Ended June 30,**

	2023	2022
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (560,537)	\$ (594,593)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	299,542	298,066
(Increase) decrease in accounts receivable	14,953	(26,708)
(Increase) decrease in prepaid expense	(3,740)	-
Increase (decrease) in accounts payable and other accrued expenses	(150,555)	38,132
Total Adjustments	160,200	309,490
Net Cash Provided (Used) by Operating Activities	\$ (400,337)	\$ (285,103)
 Supplement Disclosure:		
Cash paid for interest	\$ 31,545	\$ 58,322

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2023 and 2022**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

A. Financial Reporting Entity

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

Based on the foregoing criteria, Waterworks District No. 8 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. The District is a component unit of the Calcasieu Parish Police Jury.

B. Fund Accounting

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

Basis of Accounting

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

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

C. Fixed Assets

All fixed assets of the proprietary fund are recorded at historical costs. Depreciation of all exhaustible fixed assets greater than \$500 is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which includes engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Plant and distribution system	15 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 15 Years	Straight Line

Depreciation expense amounted to \$299,542 for the year ended June 30, 2023, and \$298,066 for the year ended June 30, 2022.

D 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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 1 - Summary of Significant Accounting Policies (Continued)

E. 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.

E. Reclassifications

Certain reclassifications have been made to the June 30, 2023 financial statements in order for them to be better compared to the June 30, 2022 financial statements.

F. Cash, Cash Equivalents and Investments

The District considers all demand deposits, interest-bearing demand deposits, time deposits, and short-term investments with an original maturity of three months or less to be cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955.

Note 2 - Ad Valorem Taxes

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

For the tax year ended December 31, 2022, taxes of 6.76 mills were levied on property with net assessed valuations of approximately \$24,826,099. Total taxes earned, net of pension funds, was \$147,671. The 6.76 mills were dedicated as follows:

Maintenance fund	6.76 mills
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**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 3 - Changes in Long-Term Debt

The following is a summary of bond payable transactions of the District for the year ended June 30, 2023:

	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2022	\$ 1,909,000	\$1,909,000
Bonds issued	-0-	-0-
Bonds retired	<u>(107,000)</u>	<u>(107,000)</u>
Outstanding at June 30, 2023	<u>\$ 1,802,000</u>	<u>\$ 1,802,000</u>

The following is a summary of bond payable transactions of the District for the year ended June 30, 2022:

	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2021	\$ 2,169,000	\$2,169,000
Bonds issued	-0-	-0-
Bonds retired	<u>(260,000)</u>	<u>(260,000)</u>
Outstanding at June 30, 2022	<u>\$ 1,909,000</u>	<u>\$ 1,909,000</u>

Long-term debt at June 30, 2023 consists of the following:

Revenue bonds:

Water Revenue Bonds, Series 2009A, B & C; dated August 4, 2009; Due in annual installments including interest at 2.95% of \$10,526 to \$39,885 through the year 2029	<u>\$259,000</u>
Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%, maturity December 1, 2038	<u>\$1,543,000</u>
Total	<u>\$1,802,000</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 3 - Changes in Long-Term Debt (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2023, are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	110,000	44,914	154,914
2025	113,000	55,244	168,244
2026	116,000	34,129	150,129
2027	118,000	32,218	150,218
2028	123,000	30,258	153,258
2029 - 2040	<u>1,222,000</u>	<u>191,689</u>	<u>1,413,689</u>
Total	\$ <u>1,802,000</u>	\$ <u>388,452</u>	\$ <u>2,190,452</u>

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. In the event of a default, the District agrees to pay to the Purchaser, on demand, interest and principal on any and all amounts due by the District under bond agreements.

The annual requirements to amortize all debt outstanding as of June 30, 2022 are as follows.

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 107,000	\$ 47,726	\$ 154,726
2024	110,000	44,914	154,914
2025	113,000	55,214	168,244
2026	116,000	34,129	150,129
2027	118,000	32,218	150,218
2028- 2040	<u>1,345,000</u>	<u>221,947</u>	<u>1,566,947</u>
Total	\$ <u>1,909,000</u>	\$ <u>436,178</u>	\$ <u>2,345,178</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 3 - Changes in Long-Term Debt (Continued)

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana.

Note 4 - Cash, Cash Equivalents, and Investments

At June 30, 2023, the District had cash and cash equivalents (book balances) totaling \$74,232, all of which is in demand deposits.

Under Louisiana Revised Statutes 39:2955, 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 a principal offices in Louisiana.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Additionally, Louisiana statues allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

The District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments and address the specific types of risk that the District may be exposed.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. As of June 30, 2023, the District had \$114,128 in demand deposits (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$114,128 of federal deposit insurance.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Right of Ways	\$ 21,150	\$ -0-	\$ -0-	\$ 21,150
Construction in progress	212,593	-0-	212,593	-0-
Capital Assets Being Depreciated:				
Plant and Distribution System	9,395,619	80,223	-0-	9,475,842
Furniture, Fixtures, & Equipment	<u>484,164</u>	<u>-0-</u>	<u>-0-</u>	<u>484,164</u>
Total Capital Assets being Depreciated	9,879,783	80,223	-0-	9,960,006
Less Accumulated Depreciation	<u>5,657,113</u>	<u>299,542</u>	<u>-0-</u>	<u>5,956,655</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,222,670</u>	<u>(219,319)</u>	<u>-0-</u>	<u>4,003,351</u>
 Total Capital Assets, Net	 <u>\$4,456,413</u>	 <u>\$(219,319)</u>	 <u>\$212,593</u>	 <u>\$4,024,501</u>

Note 6 - Board of Commissioners' Fees

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year ended June 30, 2023 are as follows:

Dosa Guillery	\$ 1,500
Leroy Pronia	1,400
Helen Duhon	1,500
Bernard Habetz	1,500
Deborah Fontenot	<u>1,300</u>
Total	<u>\$ 7,200</u>

Note 7 - Accumulated Vacation and Sick Leave

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Note 8 - Restricted Assets

Restricted assets consist of cash and investments restricted for the retirement of the District's revenue bonds and repayment of refundable customer deposits. Restricted assets, as of June 30, 2023 consists of the following:

Customer Deposits	\$ 3,608
Debt Service Funds	<u>37,784</u>
	<u>\$41,392</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 9 - Risk Management

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

Note 10 - Deferred Compensation

The District has adopted a Simple IRA Plan that covers most of their employees with over one year of service. The employee deferrals and employer matching contributions are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. The matching contributions by the district were \$4,440 for the year ended June 30, 2023, and \$5,420 for the year ended June 30, 2022.

Note 11 - Subsequent Events

The District evaluated its June 30, 2023 financial statements for subsequent events through the date the financial statements were available to be issued.

The District has entered into a cooperative endeavor agreement with the Calcasieu Parish Police Jury effective January 2024. The agreement will consolidate the District with the Parish to improve financial stability.

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

Board of Commissioners
Waterworks District No. 8 of Wards 3 and 8
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We 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 June 30, 2023, 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 December 23, 2023.

Internal Control Over Financial Reporting

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

Our 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, we identified certain deficiencies in internal control that we consider to be a material weakness and another deficiency that we 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2023-2 to be a material weakness.

Board of Commissioners
Waterworks District No. 8 of Wards 3 and 8
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. We consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2023-01 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; Item 2023-03..

District's Response to Findings

The District's response to the findings identified in our 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, we 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, LLC

Lake Charles, Louisiana
December 23, 2023

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
For the Year Ended June 30, 2023**

A. Summary of Independent Auditor's Results:

Financial Statements

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

B. GAGAS Findings:

1. 2023-01- 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.

Cause: Lack of office 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.

2023-02 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.

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.

Cause: Lack of accounting personnel

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

C. GAGAS Findings (continued):

2023-03- Bond Covenants

Condition: The District did not meet bond covenants for FYE June 30, 2023.

Criteria: The revenue bonds of the District have various covenants that are required to be met in accordance with the bond agreement with issuers of the bonds.

Cause: Although, operating revenues increased from prior, the net change in financial position did not improve enough to meet bond covenants.

Effect: Non compliance with bond covenants.

Recommendation: As soon as available, the District should replenish bond reserves and review water rates.

Response: Management and the Board of Commissioners are in process of reviewing water rates and cash flows to replenish bond reserves.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Summary of Prior Year Findings
For the Year Ended June 30, 2021**

2022-01 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.

2022-02 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.

2022-03 Bond Covenants – The District did not meet bond covenants for FYE June 30, 2022.

2022-04 Late Filing of Audit Report – The District did not file audit report by December 31, 2022 as required by state audit law.

WATERWORKS DISTRICT 8 OF WARDS 3 AND 8 OF CALCASIEU PARISH, LOUISIANA

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

Year Ended June 30, 2023

Agency Head: Deborah Fontenot, Board President

Purpose	Amount
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.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows.

1) Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations.¹
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase

requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

- c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - h) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - i) ***Ethics***², including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
 - j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
-

- 1) ***Prevention of Sexual Harassment.*** including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

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

2) Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds³, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds⁴ if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.⁵

Finding: No budget to actual comparisons presented.

Finding: No written updates of audit findings.

Management Response: The District will prepare budget to actual comparisons for financial reporting and provide updates to audit findings in meetings.

3) Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts⁶ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

- ii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding: Bank reconciliations were not prepared within 2 months of related statement closing date.

Finding: A member of management or board of commissioners has not reviewed the bank reconciliations.

Finding: No documentation that management has researched reconciling items that have been outstanding for more than 12 months of statement closing date

Management Response: The District will prepare bank reconciliations within 2 months of bank statement date. A member of management will document the review of bank reconciliations. The District will research reconciling items that have been outstanding for more than 12 months of statement closing date

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites⁷ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

- B. For each deposit site selected, obtain a listing of collection locations⁸ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.⁹
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt¹⁰ at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
-

- v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of these procedures.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
10. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Findings: 1. No purchase order system is in place.

2. *Person processing payments can also add new vendors to system*
3. *Several original invoices were not available during above testing.*

Management Response: The District will put purchase order system in place and implement process where person processing payments can not add new vendors to system.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards¹¹. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported), and
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection)¹². For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and
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- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law¹³ (e.g., solicited quotes or bids, advertised), if required by law;
- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval), and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials¹⁴ employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials¹⁵ documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the

employee's or official's personnel files, and agree the termination payment to entity policy.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Finding: No authorized rate of pay found in personnel files.

Management Response: The District will include authorized rate of pay in personnel files.

E. Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42.1170.

Findings: No documentation for completion of ethics training available.

Management Response: The District will maintain documentation of required ethics training.

10) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings: The District did not meet debt covenants.

Management Response: The District will review the water rate schedule and make adjustments to ensure bond covenants are met.

11) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24.523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Finding: Fraud notice not posted on website.

Management Response: The District will post required fraud notice on website.

12) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures:
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

Findings: No documentation of verification of backups were tested.

Management Response: The District will contact back up entity to receive documentation that backups have been tested.

13) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Findings: Neither either employees or board members received sexual harassment training. Also, no annual report was filed.

Management Response: The District will require sexual harassment training. The District will post annual report on website.

We were engaged by Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged

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

We are required to be independent of Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 28, 2023