

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

**Annual Financial Report
June 30, 2021 and 2020**

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 - 19
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	20 - 21
Schedule of Findings and Responses	22 - 23
Summary of Prior Year Findings	24
Schedule of Compensation, Benefits and Other Payments	25

STEVEN M. DEROUEN & ASSOCIATES, LLC

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 No. 8 of Wards 3
and 8 of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

Report on the Financial Statements

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 June 30, 2021 and 2020, 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

Our responsibility is to express opinions on these financial statements based on our audit. We 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 we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of June 30, 2021 and 2020, 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. 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 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*, we have also issued our report dated March 28, 2022 on our consideration of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting and our 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 our 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 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The 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
March 28, 2022

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021**

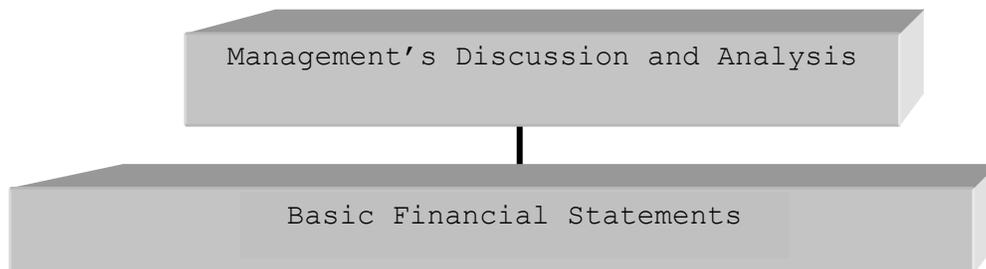
The Management’s Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2021. This document focuses on 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 2021 by \$2,733,467 (net assets) which represents a 11% decrease from last fiscal year.
- ★ The District’s operating revenue decreased \$20,117 (or 2%), operating expenses increased \$322,921 (or 24%) and the net result from operating activities was a loss from operations of \$527,600.

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, 2021**

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

	2021	2020	2019
Current and other assets	\$641,187	\$829,552	\$958,887
Capital assets	4,894,410	4,981,830	4,804,167
Total assets	<u>5,535,597</u>	<u>5,811,382</u>	<u>5,763,054</u>
Other liabilities	633,130	341,772	323,726
Long-term debt outstanding	2,169,000	2,376,983	2,444,584
Total liabilities	<u>2,802,130</u>	<u>2,741,755</u>	<u>2,768,310</u>
Net position:			
Invested capital assets, net of debt	2,725,410	2,581,847	2,682,583
Restricted for debt service	39,842	192,855	179,805
Unrestricted	(31,785)	294,925	132,356
Total net position	<u>\$2,733,467</u>	<u>\$3,069,627</u>	<u>\$2,994,744</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021**

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 \$336,160 from June 30, 2020 to June 30, 2021.

	2021	2020	2019
Operating revenues	\$1,163,895	\$1,184,012	\$1,119,696
Operating expenses	1,691,495	1,368,574	1,345,047
Operating income (loss)	(527,600)	(184,562)	(225,351)
Non-operating revenues (expenses)	191,440	259,445	568,020
Net increase (decrease) in net position	<u>\$ (336,160)</u>	<u>\$ 74,883</u>	<u>\$ 342,669</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the District had \$4,894,410 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 \$87,420, or 2%, over last year.

	2021	2020	2019
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	366,410	364,783	649,911
Plant and Distribution System	9,449,448	9,348,580	8,649,360
Furniture, Fixtures, and Equipment	490,434	483,573	437,888
Less Accumulated Depreciation	(5,433,032)	(5,236,256)	(4,954,142)
Totals	<u>\$ 4,894,410</u>	<u>\$ 4,981,830</u>	<u>\$ 4,804,167</u>

This year’s Major Capital additions included above were:

- Radio Read Project \$ 42,204
- Ground Storage Tank \$348,800

Debt

The District had \$2,169,000 in bonds outstanding at year-end, compared to \$2,399,983 last year, a decrease of 10%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue Bonds	\$ 2,169,000	\$ 2,399,983	\$ 2,304,584
General Obligation Bonds	<u>-0-</u>	<u>-0-</u>	<u>140,000</u>
Totals	<u>\$ 2,169,000</u>	<u>\$ 2,399,983</u>	<u>\$ 1,400,581</u>

The District’s 2009 Water Revenue Bonds, and Series 2013 Revenue Refunding, 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, 2021**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and equivalents	\$ 35,900	\$ 6,107
Receivables (net of allowances for uncollectibles of \$1,000 for 2021 and \$1,000 for 2020):		
Water sales	88,216	103,330
Unbilled water sales	25,724	31,055
Taxes	2,841	1,696
Other receivables	158,239	241
Prepaid expense	22,397	20,531
Total Current Assets	333,317	162,960
RESTRICTED ASSETS		
Cash and equivalents	307,870	473,459
Taxes receivable	-	2,200
Investments	-	190,783
Total Restricted Assets	307,870	666,442
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	9,449,448	9,348,580
Furniture, fixtures, and equipment	490,434	483,573
	9,939,882	9,832,153
Less accumulated depreciation	(5,433,032)	(5,236,256)
	4,506,850	4,595,897
Construction in progress	366,410	364,783
Land	21,150	21,150
Net Property, Plant, and Equipment	4,894,410	4,981,830
OTHER ASSETS		
Other assets	-	150
Total Other Assets	-	150
TOTAL ASSETS	\$ 5,535,597	\$ 5,811,382

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, 2021**

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 230,884	\$ 36,078
Accrued wages	137,051	79,299
Payroll and sales tax payable	8,287	8,008
Total Current Liabilities	376,222	123,385
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	4,708	5,538
Current portion of revenue bonds	260,000	253,000
Customer deposits	252,200	212,849
Total Current Liabilities (Payable From Restricted Assets)	516,908	471,387
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion)	1,909,000	2,146,983
Total Long-Term Liabilities	1,909,000	2,146,983
Total Liabilities	2,802,130	2,741,755
NET POSITION		
Investment in capital assets (net of related debt)	2,725,410	2,581,847
Restricted for debt service	39,842	192,855
Unrestricted	(31,785)	294,925
Total Net Position	2,733,467	3,069,627
TOTAL LIABILITIES AND NET POSITION	\$ 5,535,597	\$ 5,811,382

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 Revenue, Expense, and Changes in Net Position
For the Years Ended June 30, 2021**

	2021	2020
OPERATING REVENUES		
Water sales, fees and late charges	\$ 1,109,947	\$ 1,159,007
Tap fees	53,948	25,005
Total Operating Revenues	1,163,895	1,184,012
OPERATING EXPENSES		
Accounting and audit	21,794	23,180
Legal fees	-	2,600
Commissioner's fees	4,400	5,800
Office supplies and postage	42,049	34,017
Plant supplies and maintenance	317,408	252,411
Miscellaneous	102,772	52,231
Insurance	148,756	139,764
Truck expense	72,974	49,980
Telephone	20,523	18,669
Utilities	34,952	38,836
Salaries and payroll taxes	547,412	388,643
Meter reading	26,406	39,221
Depreciation	302,383	282,114
Uniforms and cleaning	5,478	4,267
Retirement expense	5,132	2,353
Total Operating Expenses	1,691,495	1,368,574
INCOME (LOSS) FROM OPERATIONS	(527,600)	(184,562)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	130,334	265,863
Interest income	2,580	1,486
Interest and fiscal charges	(57,492)	(74,116)
Hurricane insurance reimbursements	241,064	-
Hurricane impairment loss	(333,288)	-
Federal grant revenues	170,986	51,429
Miscellaneous income	37,256	14,783
Total Non-Operating Revenues (Expenses)	191,440	259,445
CHANGE IN NET POSITION	(336,160)	74,883
NET POSITION AT BEGINNING OF YEAR	3,069,627	2,994,744
NET POSITION AT END OF YEAR	\$ 2,733,467	\$ 3,069,627

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
For the Year Ended June 30, 2021**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 1,143,450	\$ 1,150,091
Payment to suppliers	(530,307)	(692,681)
Payment to employees and benefits	(556,944)	(365,779)
	56,199	91,631
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	190,783	45,276
Interest income received	2,580	1,486
	193,363	46,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(546,623)	(459,777)
Proceeds from bonds payable	21,017	278,399
Principal paid on bonds	(253,000)	(323,000)
Interest paid	(58,322)	(83,922)
Ad valorem taxes received	127,493	261,967
Miscellaneous and other income received	284,726	66,212
Increase(decrease) in customer deposits, net	39,351	7,793
Net Cash Provided (Used) by Capital and Related Financing Activities	(385,358)	(252,328)
Net Increase (Decrease) in Cash	(135,796)	(113,935)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	479,566	593,501
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 343,770	\$ 479,566
Cash and Cash Equivalents:		
Unrestricted	35,900	6,107
Restricted	307,870	473,459
	\$ 343,770	\$ 479,566

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,**

	2021	2020
Reconciliation of Operating Income to Net Cash		
 Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (527,600)	\$ (225,351)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	302,383	249,427
(Increase) decrease in accounts receivable	20,445	20,616
(Increase) decrease in prepaid expense	8,134	(1,301)
Increase (decrease) in accounts payable and other accrued expenses	252,837	26,513
Total Adjustments	583,799	295,255
Net Cash Provided (Used) by Operating Activities	\$ 56,199	\$ 69,904
 Supplement Disclosure:		
Cash paid for interest	\$ 58,322	\$ 55,019

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, 2021 and 2020**

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, 2021 and 2020**

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 \$302,383 for the year ended June 30, 2021, and \$282,114 for the year ended June 30, 2020.

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, 2021 and 2020**

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, 2021 financial statements in order for them to be better compared to the June 30, 2020 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, 2020, taxes of 6.76 mills were levied on property with net assessed valuations of approximately \$21,749,304. Total taxes earned, net of pension funds, was \$130,334. The 6.76 mills were dedicated as follows:

Maintenance fund	6.76 mills
------------------	------------

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2021 and 2020**

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, 2021:

	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2020	\$ 2,399,983	\$2,399,983
Bonds issued	22,017	22,017
Bonds retired	<u>(253,000)</u>	<u>(253,000)</u>
Outstanding at June 30, 2021	<u>\$ 2,169,000</u>	<u>\$ 2,169,000</u>

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

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2019	\$140,000	\$ 2,304,584	\$2,444,584
Bonds issued	-0-	278,399	278,399
Bonds retired	<u>(140,000)</u>	<u>(183,000)</u>	<u>(323,000)</u>
Outstanding at June 30, 2020	<u>\$ -0-</u>	<u>\$ 2,399,983</u>	<u>\$ 2,399,983</u>

Long-term debt at June 30, 2021 consists of the following:

Revenue bonds:

\$1,140,000 Water Revenue Refunding Bonds, Series 2013; dated November 1, 2013; Due in annual installments including interest at 1.75% to 3.00% of \$143,684 to \$157,325 through the year 2022	\$155,000
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	\$328,000
Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%; maturity December 1, 2038	<u>\$1,686,000</u>
Total	<u>\$2,169,000</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2021 and 2020**

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

The annual requirements to amortize all debt outstanding as of June 30, 2021, are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	260,000	52,771	312,771
2023	107,000	47,726	154,726
2024	110,000	44,914	154,914
2024	113,000	55,244	168,244
2025	116,000	34,129	150,129
2026 - 2040	<u>1,463,000</u>	<u>254,164</u>	<u>1,717,164</u>
Total	\$ <u>2,169,000</u>	\$ <u>488,948</u>	\$ <u>2,657,948</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, 2021 are as follows:

<u>Revenue Bonds</u> Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 253,000	\$ 54,844	\$ 307,844
2022	262,288	50,053	312,341
2023	109,717	45,282	154,999
2024	112,174	42,777	154,951
2025	114,660	53,434	168,094
2026- 2040	<u>1,548,144</u>	<u>328,690</u>	<u>1,876,834</u>
Total	\$ <u>2,399,983</u>	\$ <u>575,080</u>	\$ <u>2,975,063</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2021 and 2020**

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

The general obligation bonds are to be retired from the avails of property taxes levied and collected within the limits of the District.

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, 2021, the District had cash and cash equivalents (book balances) totaling \$343,770, 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, 2021, the District had \$402,397 in demand deposits (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$402,397 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, 2021 and 2020**

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ -0-	\$ -0-	\$ 21,150
Construction in progress	364,783	38,071	36,444	366,410
Capital Assets Being Depreciated:				
Plant and Distribution System	9,348,580	539,763	438,895	9,449,448
Furniture, Fixtures, & Equipment	<u>483,573</u>	<u>6,861</u>	<u>-0-</u>	<u>490,434</u>
Total Capital Assets being Depreciated	9,832,153	546,624	-0-	9,939,882
Less Accumulated Depreciation	<u>5,236,256</u>	<u>302,383</u>	<u>105,607</u>	<u>5,433,032</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,595,897</u>	<u>244,241</u>	<u>333,288</u>	<u>4,506,850</u>
 Total Capital Assets, Net	 <u>\$4,981,830</u>	 <u>\$282,312</u>	 <u>\$369,732</u>	 <u>\$4,894,410</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, 2021 are as follows:

Helen Duhon	\$ 900
Leroy Pronia	800
Rick Batchelor	900
Bernard Habetz	900
Deborah Fontenot	<u>900</u>
Total	<u>\$ 4,400</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, 2021 consists of the following:

Customer Deposits	\$12,736
Debt Service Funds	<u>295,134</u>
	<u>\$307,870</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2021 and 2020**

*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 \$5,132 for the year ended June 30, 2021, and \$2,353 for the year ended June 30, 2020.

*Note 11 - **Subsequent Events***

The District evaluated its June 30, 2021 financial statements for subsequent events through the date the financial statements were available to be issued.

STEVEN M. DEROUEN & ASSOCIATES, LLC

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 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, 2021, 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 March 28, 2022.

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 2021-2 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 2021-01 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 2021-03.

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
March 28, 2022

**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, 2021**

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 <u> </u> No	
Significant deficiency identified not considered to be material weaknesses?	<u> x </u> Yes <u> </u> No	
Noncompliance material to financial statements noted?	<u> x </u> Yes <u> </u> No	

B. GAGAS Findings:

1. 2021-01- 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.

2021-02 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, 2021**

C. GAGAS Findings (continued):

2021-03- Bond Covenants

Condition: The District did not meet bond covenants for FYE June 30, 2021.

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: Due to hurricane recovery and delay of insurance and FEMA reimbursements, the District was required to use funding available from bond reserves.

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, 2020**

2020-01 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.

2020-02 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.

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, 2021

Agency Head: Deborah Fontenot, Board President

Purpose	Amount
Commissioner Fees	\$900
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.