

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

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**Annual Financial Report  
June 30, 2022 and 2021**

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# 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@sderouenpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## 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, 2022 and 2021, 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, 2022 and 2021, 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 May 4, 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  
May 4, 2023

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2022**

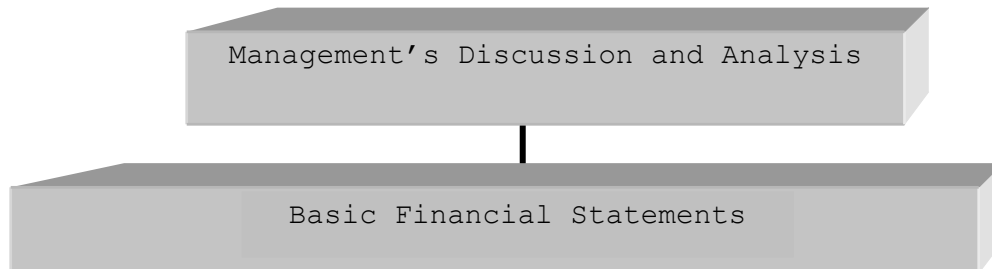
The Management’s Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2022. This document focuses on 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 2022 by \$2,287,617 (net assets) which represents a 16% decrease from last fiscal year.
- ★ The District’s operating revenue decreased \$71,416 (or 6%), operating expenses decreased \$4,413 (or 0.2%) and the net result from operating activities was a loss from operations of \$594,593.

**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, 2022**

**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**

	2022	2021	2020
Current and other assets	\$357,263	\$641,187	\$829,552
Capital assets	4,456,413	4,894,410	4,981,830
Total assets	<u>4,813,676</u>	<u>5,535,597</u>	<u>5,811,382</u>
Other liabilities	617,059	633,130	341,772
Long-term debt outstanding	1,909,000	2,169,000	2,376,983
Total liabilities	<u>2,526,059</u>	<u>2,802,130</u>	<u>2,741,755</u>
Net position:			
Invested capital assets, net of debt	2,547,413	2,725,410	2,581,847
Restricted for debt service	-0-	39,842	192,855
Unrestricted	( 259,796)	(31,785)	294,925
Total net position	<u>\$2,287,617</u>	<u>\$2,733,467</u>	<u>\$3,069,627</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2022**

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 \$445,850 from June 30, 2021 to June 30, 2022.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$1,092,479	\$1,163,895	\$1,184,012
Operating expenses	<u>1,687,072</u>	<u>1,691,495</u>	<u>1,368,574</u>
Operating income (loss)	<u>(594,593)</u>	<u>(527,600)</u>	<u>(184,562)</u>
Non-operating revenues (expenses)	<u>148,743</u>	<u>191,440</u>	<u>259,445</u>
Net increase (decrease) in net position	<u><u>\$ (445,850)</u></u>	<u><u>\$ (336,160)</u></u>	<u><u>\$ 74,883</u></u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2022, the District had \$4,456,413 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 \$437,997, or 9%, over last year.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	212,593	366,410	364,783
Plant and Distribution System	9,395,619	9,449,448	9,348,580
Furniture, Fixtures, and Equipment	484,164	490,434	483,573
Less Accumulated Depreciation	<u>(5,657,113)</u>	<u>(5,433,032)</u>	<u>(5,236,256)</u>
Totals	<u><u>\$ 4,456,413</u></u>	<u><u>\$ 4,894,410</u></u>	<u><u>\$ 4,981,830</u></u>

This year’s Major Capital additions included above were:

- Radio Read Project                   \$ 63,307
- Storage Tank Paint Project       \$ 99,150



**Debt**

The District had \$1,909,000 in bonds outstanding at year-end, compared to \$2,169,000 last year, a decrease of 12%. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2021</u>	<u>2021</u>	<u>2020</u>
Revenue Bonds	<u>\$ 1,909,000</u>	<u>\$ 2,169,000</u>	<u>\$ 2,399,983</u>
Totals	<u>\$ 1,909,000</u>	<u>\$ 2,169,000</u>	<u>\$ 1,400,581</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,**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 58,422	\$ 35,900
Receivables (net of allowances for uncollectibles of \$1,000 for 2021 and \$1,000 for 2020):		
Water sales	113,850	88,216
Unbilled water sales	26,798	25,724
Taxes	787	2,841
Other receivables	-	158,239
Prepaid expense	22,397	22,397
Total Current Assets	222,254	333,317
<b>RESTRICTED ASSETS</b>		
Cash and equivalents	135,009	307,870
Total Restricted Assets	135,009	307,870
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant and distribution system	9,395,619	9,449,448
Furniture, fixtures, and equipment	484,164	490,434
	9,879,783	9,939,882
Less accumulated depreciation	(5,657,113)	(5,433,032)
	4,222,670	4,506,850
Construction in progress	212,593	366,410
Land	21,150	21,150
Net Property, Plant, and Equipment	4,456,413	4,894,410
<b>TOTAL ASSETS</b>	<b>\$ 4,813,676</b>	<b>\$ 5,535,597</b>

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,**

	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 214,096	\$ 230,884
Accrued wages	171,799	137,051
Payroll and sales tax payable	28,459	8,287
Total Current Liabilities	414,354	376,222
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Accrued interest	24,735	4,708
Current portion of revenue bonds	107,000	260,000
Customer deposits	177,970	252,200
Total Current Liabilities (Payable From Restricted Assets)	309,705	516,908
<b>LONG-TERM LIABILITY</b>		
Revenue bonds payable (net of current portion)	1,802,000	1,909,000
Total Long-Term Liabilities	1,802,000	1,909,000
Total Liabilities	2,526,059	2,802,130
<b>NET POSITION</b>		
Investment in capital assets (net of related debt)	2,547,413	2,725,410
Restricted for debt service	-	39,842
Unrestricted	(259,796)	(31,785)
Total Net Position	2,287,617	2,733,467
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,813,676</b>	<b>\$ 5,535,597</b>

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,**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Water sales, fees and late charges	\$ 1,067,419	\$ 1,109,947
Tap fees	25,060	53,948
Total Operating Revenues	<u>1,092,479</u>	<u>1,163,895</u>
<b>OPERATING EXPENSES</b>		
Accounting and audit	20,750	21,794
Legal fees	1,300	-
Commissioner's fees	5,800	4,400
Office supplies and postage	39,721	42,049
Plant supplies and maintenance	371,847	317,408
Miscellaneous	57,705	102,772
Insurance	160,846	148,756
Truck expense	114,132	72,974
Telephone	16,503	20,523
Utilities	45,957	34,952
Salaries and payroll taxes	504,348	545,933
Meter reading	-	26,406
Depreciation	298,066	302,383
Uniforms and cleaning	6,131	5,478
Retirement expense	5,420	5,132
Total Operating Expenses	<u>1,687,072</u>	<u>1,691,495</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(594,593)	(527,600)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes	141,030	130,334
Interest income	-	2,580
Interest and fiscal charges	(51,572)	(57,492)
Hurricane insurance reimbursements	24,107	241,064
Hurricane impairment loss	-	(333,288)
Federal grant revenues	-	170,986
Miscellaneous income	35,178	37,256
Total Non-Operating Revenues (Expenses)	<u>148,743</u>	<u>191,440</u>
<b>CHANGE IN NET POSITION</b>	<u>(445,850)</u>	<u>(336,160)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,733,467</u>	<u>3,069,627</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,287,617</u>	<u>\$ 2,733,467</u>

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,**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 1,065,771	\$ 1,143,450
Payment to suppliers	(890,226)	(530,307)
Payment to employees and benefits	(460,648)	(556,944)
	(285,103)	56,199
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale (purchase) of investments	212,056	190,783
Interest income received	-	2,580
	212,056	193,363
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital expenditures	(218,531)	(546,623)
Proceeds from bonds payable	-	21,017
Principal paid on bonds	(260,000)	(253,000)
Interest paid	(31,545)	(58,322)
Ad valorem taxes received	141,030	127,493
Miscellaneous and other income received	217,524	284,726
Increase(decrease) in customer deposits, net	74,230	39,351
Net Cash Provided (Used) by Capital and Related Financing Activities	(77,292)	(385,358)
Net Increase (Decrease) in Cash	(150,339)	(135,796)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	343,770	479,566
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 193,431	\$ 343,770
<b>Cash and Cash Equivalents:</b>		
Unrestricted	58,422	35,900
Restricted	135,009	307,870
	\$ 193,431	\$ 343,770

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,**

	2022	2021
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>    Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (594,593)	\$ (527,600)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	298,066	302,383
(Increase) decrease in accounts receivable	(26,708)	20,445
(Increase) decrease in prepaid expense	-	8,134
Increase (decrease) in accounts payable and other accrued expenses	38,132	252,837
Total Adjustments	309,490	583,799
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (285,103)</b>	<b>\$ 56,199</b>
 <b>Supplement Disclosure:</b>		
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, 2022 and 2021**

***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, 2022 and 2021**

*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 \$298,066 for the year ended June 30, 2022, and \$302,383 for the year ended June 30, 2021.

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, 2022 and 2021**

*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, 2022 financial statements in order for them to be better compared to the June 30, 2021 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, 2021, taxes of 6.76 mills were levied on property with net assessed valuations of approximately \$24,714,735. Total taxes earned, net of pension funds, was \$141,030. 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, 2022 and 2021**

**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, 2022:

	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2021	\$ 2,169,000	\$2,399,983
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>

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	22,107	22,107
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>

Long-term debt at June 30, 2021 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	\$294,000
Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%; maturity December 1, 2038	<u>\$1,615,000</u>
Total	<u>\$1,909,000</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2022 and 2021**

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

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	55,244	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>

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>
2022	\$ 260,000	\$ 52,771	\$ 312,771
2023	107,000	47,726	154,726
2024	110,000	44,914	154,914
2025	113,000	55,244	168,244
2026	116,000	34,129	150,129
2027- 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>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2022 and 2021**

***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, 2022, the District had cash and cash equivalents (book balances) totaling \$193,431, 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, 2022, the District had \$212,723 in demand deposits (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$212,723 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, 2022 and 2021**

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ -0-	\$ - 0 -	\$ 21,150
Construction in progress	366,410	-0-	153,817	212,593
Capital Assets Being Depreciated:				
Plant and Distribution System	9,449,448	173,232	227,061	9,395,619
Furniture, Fixtures, & Equipment	<u>490,434</u>	<u>67,716</u>	<u>73,985</u>	<u>484,164</u>
Total Capital Assets being Depreciated	9,939,882	240,948	301,047	9,879,783
Less Accumulated Depreciation	<u>5,433,032</u>	<u>298,066</u>	<u>73,985</u>	<u>5,657,113</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,506,850</u>	<u>(57,118)</u>	<u>227,062</u>	<u>4,222,670</u>
 Total Capital Assets, Net	 <u>\$4,894,410</u>	 <u>\$(57,118)</u>	 <u>\$380,879</u>	 <u>\$4,456,413</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, 2022 are as follows:

Helen Duhon	\$ 1,200
Dosa Guillory	500
Leroy Pronia	1,100
Rick Batchelor	700
Bernard Habetz	1,200
Deborah Fontenot	<u>1,100</u>
Total	<u>\$ 5,800</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, 2022 consists of the following:

Customer Deposits	\$ 15,716
Debt Service Funds	<u>119,293</u>
	<u>\$135,009</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2022 and 2021**

*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 \$5,420 for the year ended June 30, 2022, and \$5,132 for the year ended June 30, 2021.

*Note 11 - **Subsequent Events***

The District evaluated its June 30, 2022 financial statements for subsequent events through the date the financial statements were available to be issued.

The District has entered into a memorandum of understanding with the Calcasieu Parish Police Jury effective fiscal year ending June 2024. The agreement will consolidate the District with the Parish to improve financial stability.

# 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, 2022, 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 May 4, 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 2022-2 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 2022-01 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 2022-03 and 2022-04.

### **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  
May 4, 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, 2022**

**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. 2022-01- 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.

2022-02 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):**

2022-03- Bond Covenants

Condition: The District did not meet bond covenants for FYE June 30, 2022.

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.

2022-04- Late filing of Audit Report

Condition: The District did not file audit report by December 31, 2022 as required by state audit law.

Criteria: State audit law requires filing of audited financial statements by 6 months of year end.

Cause: District did not have information needed to complete audit by due date.

Effect: Non compliance with State Audit Law.

Recommendation: None.

Response: Management will monitor future audit completion dates to ensure timely filing.

**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**

**2021-01 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.

**2021-02 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.

**2021-03 Bond Covenants** – The District did not meet bond covenants for FYE June 30, 2021.

**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, 2022**

**Agency Head: Deborah Fontenot, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$1,100
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.**

# 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 ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners 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, 2021 through June 30, 2022. 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, 2021 through June 30, 2022. 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:

### *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:
  - 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(s) rate 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) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (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.
- l) **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.

### ***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:
  - a) 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.

No exceptions noted.

- b) 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 funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.

Finding: No budget to actual comparisons presented.

- c) 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.

Not applicable.

### ***Bank Reconciliations***

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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 accounts (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:
  - a) 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);
  - b) Bank reconciliations include evidence that a member of management/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
  - c) 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:** A member of management or board of commissioners has not reviewed the bank reconciliations.

**Management Response:** Management and or the board of commissioners will implement the policy of reviewing the monthly bank statement reconciliations.

### ***Collections (excluding electronic funds transfers)***

---

4. Obtain a listing of deposit sites 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).

For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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:

- a) Employees responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not 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.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
5. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
  6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). *Alternately, 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:
    - a) Observe that receipts are sequentially pre-numbered.
    - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.



- c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe the deposit was made within one business day of receipt 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).
  - e) Trace the actual deposit per the bank statement to the general ledger.
- No exceptions noted.

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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- 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 #8 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) 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.
  - d) 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.
- 10. For each location selected under #8 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:
  - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

2. Person processing payments can also add new vendors to system.

**Management Response:** 1. The District will begin the implementation of a purchase order system.

2. The management of the District will continue to monitor any “new” vendors added to accounts payable.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete.
12. 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.
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 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 (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

**Findings:** Finance charges were charged to credit card accounts.

**Management response:** Management will monitor credit card statements to ensure that balances are paid timely to avoid finance charges.

### **Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

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14. 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, 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:

- a) If reimbursed using a per diem, observe 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](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Observe 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 policy (procedure #1h).

- c) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

### **Contracts**

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15. 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. *Alternately, 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:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe 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, was approval documented).

- d) 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 the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

### ***Payroll and Personnel***

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16. Obtain a listing of employees and officials 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.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

- a) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
  - b) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - c) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. 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, 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 or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
  19. 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.

No exceptions noted.

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions noted.

### ***Debt Service***

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21. 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 State Bond Commission approval was obtained for each debt instrument issued.

22. 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 board of commissioners will review the water rate schedule and make adjustments to ensure that bond covenants are met.

### ***Fraud Notice***

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23. 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.

24. Observe 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.

**Findings:** The District's website does not have posting of fraud notice.

**Management response:** The District will put fraud notice on website.

### Information Technology Disaster Recovery/Business Continuity

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25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

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.

We performed the procedures and discussed the results with management.

**Findings:** No documentation of verification that backups were tested.

**Management response:** Management will contact back up entity to receive documentation that backups have been tested.

### Sexual Harassment

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26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe 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).

28. 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 it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and not applicable
- e) Amount of time it took to resolve each complaint.

**Findings: 26.** Neither employees or board members received sexual harassment training.; **27.** Sexual harassment policy was not posted on District's website. **28.** No annual report was filed.

**Management response:** Management will monitor above to ensure that proper training is completed. Management will post sexual harassment policy on District's website and file annual report.

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  
May 4, 2023