

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

**Annual Financial Report
June 30, 2018 and 2017**

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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

I 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 2, 2018 on my consideration of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 2, 2018

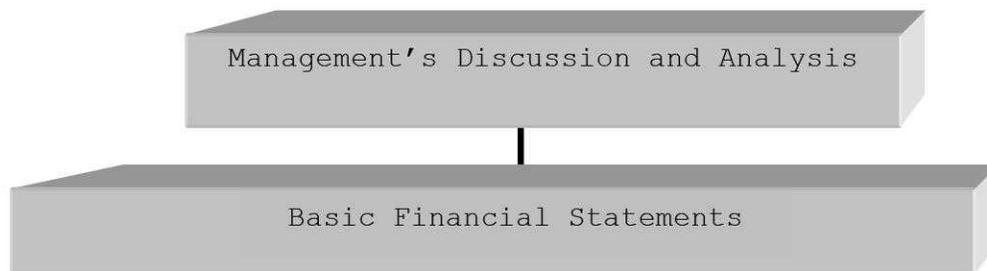
The Management's Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2017. This document focuses on 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 2018 by \$2,652,075 (net assets) which represents a 10% increase from last fiscal year. Of this amount, \$138,184 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's operating revenue increased \$72,168 (or 7%), operating expenses decreased \$9,844 (or 1%) and the net result from operating activities was a loss from operations of \$27,836.

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, 2017**

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

	2018	2017	2016
Current and other assets	\$1,109,593	\$972,325	\$ 1,088,139
Capital assets	3,405,861	3,301,335	3,479,912
Total assets	<u>4,515,454</u>	<u>4,273,660</u>	<u>4,568,051</u>
Other liabilities	462,798	264,427	299,771
Long-term debt outstanding	1,400,581	1,587,000	1,873,000
Total liabilities	<u>1,863,379</u>	<u>1,854,427</u>	<u>2,172,771</u>
Net position:			
Invested capital assets, net of debt	2,005,280	1,714,335	1,606,912
Restricted for debt service	508,611	292,352	256,370
Unrestricted	138,184	412,546	531,998
Total net position	<u>\$2,652,075</u>	<u>\$2,419,233</u>	<u>\$ 2,395,280</u>

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 increased by \$232,842 from June 30, 2017 to June 30, 2018.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$1,112,354	\$ 1,040,186	\$ 862,795
Operating expenses	<u>1,140,190</u>	<u>1,150,034</u>	<u>1,049,925</u>
Operating income (loss)	<u>(27,836)</u>	<u>(109,848)</u>	<u>(187,130)</u>
Non-operating revenues (expenses)	<u>260,678</u>	<u>133,801</u>	<u>172,579</u>
Net increase (decrease) in net position	<u>\$232,842</u>	<u>\$ 23,953</u>	<u>\$(14,551)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had \$3,405,861 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 increase (including additions and deductions) of \$104,526, or 3.2%, over last year.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	308,544	6,050	-0-
Plant and Distribution System	7,429,374	7,424,974	7,365,801
Furniture, Fixtures, and Equipment	374,097	353,636	343,738
Less Accumulated Depreciation	<u>(4,727,304)</u>	<u>(4,504,475)</u>	<u>(4,250,777)</u>
Totals	<u>\$ 3,405,861</u>	<u>\$ 3,301,335</u>	<u>\$ 3,479,912</u>

This year's Major Capital additions included above were:

- Truck \$29,290

Debt

The District had \$1,400,581 in bonds outstanding at year-end, compared to \$1,587,000 last year, a decrease of 11.7 %. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue Bonds	\$ 1,130,581	\$ 1,223,000	\$ 1,363,000
General Obligation Bonds	<u>270,000</u>	<u>364,000</u>	<u>510,000</u>
Totals	<u>\$ 1,400,581</u>	<u>\$ 1,587,000</u>	<u>\$ 1,873,000</u>

The District's Series 2006 General Obligation Refunding bonds and 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,**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and equivalents	\$ 151,201	\$ 57,034
Investments	86,085	85,858
Receivables (net of allowances for uncollectibles of \$1,000 for 2018 and \$1,000 for 2017):		
Water sales	100,458	78,842
Unbilled water sales	20,621	18,647
Other receivables	242	242
Prepaid expense	27,171	26,699
Total Current Assets	385,778	267,322
RESTRICTED ASSETS		
Cash and equivalents	534,828	516,513
Investments	188,837	188,340
Total Restricted Assets	723,665	704,853
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	7,429,374	7,424,974
Furniture, fixtures, and equipment	374,097	353,636
	7,803,471	7,778,610
Less accumulated depreciation	(4,727,304)	(4,504,475)
	3,076,167	3,274,135
Construction in progress	308,544	6,050
Land	21,150	21,150
Net Property, Plant, and Equipment	3,405,861	3,301,335
OTHER ASSETS		
Other assets	150	150
Total Other Assets	150	150
TOTAL ASSETS	\$ 4,515,454	\$ 4,273,660

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,**

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 190,271	\$ 21,231
Accrued wages	50,103	41,673
Payroll and sales tax payable	2,264	2,873
	242,638	65,777
Total Current Liabilities		
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	5,106	6,784
Current portion of revenue bonds	176,000	171,000
Current portion of general obligation bonds	130,000	125,000
Customer deposits	215,054	194,866
	526,160	497,650
Total Current Liabilities (Payable From Restricted Assets)		
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion)	954,581	1,052,000
General obligation bonds payable (net of current portion)	140,000	239,000
	1,094,581	1,291,000
Total Long-Term Liabilities		
	1,863,379	1,854,427
Total Liabilities		
NET POSITION		
Investment in capital assets (net of related debt)	2,005,280	1,714,335
Restricted for debt service	508,611	292,352
Unrestricted	138,184	412,546
	2,652,075	2,419,233
Total Net Position		
TOTAL LIABILITIES AND NET POSITION		
	\$ 4,515,454	\$ 4,273,660

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,**

	2018	2017
OPERATING REVENUES		
Water sales, fees and late charges	\$ 1,093,944	\$ 1,008,846
Tap fees	18,410	31,340
Total Operating Revenues	1,112,354	1,040,186
OPERATING EXPENSES		
Accounting and audit	22,510	20,113
Commissioner's fees	7,400	6,700
Office supplies and postage	31,275	28,339
Plant supplies and maintenance	238,273	250,121
Miscellaneous	82,317	55,522
Insurance	102,727	110,705
Truck expense	33,073	26,719
Telephone	13,742	11,945
Utilities	37,224	35,212
Salaries	264,980	283,331
Meter reading	36,493	35,902
Payroll taxes	20,972	26,381
Depreciation	245,690	253,698
Uniforms and cleaning	2,265	673
Retirement expense	1,249	3,127
Bad debt expense	-	1,546
Total Operating Expenses	1,140,190	1,150,034
INCOME (LOSS) FROM OPERATIONS	(27,836)	(109,848)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	260,449	174,447
Interest income	1,656	553
Interest and fiscal charges	(48,588)	(54,017)
Bond issue costs	(48,460)	-
Federal grant revenues	27,395	-
Miscellaneous income	65,606	12,818
Gain (loss) sale of assets	2,620	-
Total Non-Operating Revenues (Expenses)	260,678	133,801
CHANGE IN NET POSITION	232,842	23,953
NET POSITION AT BEGINNING OF YEAR	2,419,233	2,395,280
NET POSITION AT END OF YEAR	\$ 2,652,075	\$ 2,419,233

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,**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 1,088,764	\$ 1,017,347
Payment to suppliers	(604,084)	(592,803)
Payment to employees and benefits	(278,771)	(330,714)
Other	(1,061)	(2,740)
	<u>204,848</u>	<u>91,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	(724)	39,620
Interest income received	1,656	553
	<u>932</u>	<u>40,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(186,441)	(75,121)
Proceeds from bonds payable	109,581	-
Principal paid on bonds	(296,000)	(286,000)
Interest paid on bonds	(50,266)	(55,356)
Ad valorem taxes received	260,449	174,447
Miscellaneous and other income received	93,001	12,818
Other	(43,810)	-
Increase(decrease) in customer deposits, net	20,188	(1,229)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(93,298)</u>	<u>(230,441)</u>
Net Increase (Decrease) in Cash	112,482	(99,178)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>573,547</u>	<u>672,725</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 686,029</u>	<u>\$ 573,547</u>
Cash and Cash Equivalents:		
Unrestricted	151,201	57,034
Restricted	534,828	516,513
	<u>\$ 686,029</u>	<u>\$ 573,547</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
Enterprise Fund
Statement of Cash Flows (Continued)
For the Year Ended June 30,**

	2018	2017
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (27,836)	\$ (109,848)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	245,690	253,698
(Increase) decrease in accounts receivable	(23,590)	(22,841)
(Increase) decrease in prepaid expense	(472)	(142)
Increase (decrease) in accounts payable and other accrued expenses	11,036	(29,777)
Total Adjustments	232,664	200,938
Net Cash Provided (Used) by Operating Activities	\$ 204,828	\$ 91,090
Supplement Disclosure:		
Cash paid for interest	\$ 50,266	\$ 55,356

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, 2018 and 2017**

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, 2018 and 2017

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 \$245,690 for the year ended June 30, 2018, and \$253,698 for the year ended June 30, 2017.

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, 2018 and 2017

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, 2018 financial statements in order for them to be better compared to the June 30, 2017 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, 2017, taxes of 10.17 mills were levied on property with net assessed valuations of approximately \$20,422,531. Total taxes earned, net of pension funds, was \$260,449. The 14.17 mills were dedicated as follows:

Maintenance fund	6.17 mills
Sinking fund	8.00 mills

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2018 and 2017**

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, 2018:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2017	\$395,000	\$ 1,192,000	\$1,587,000
Bonds issued	-0-	109,581	109,581
Bonds retired	<u>(125,000)</u>	<u>(171,000)</u>	<u>(296,000)</u>
Outstanding at June 30, 2018	<u>\$ 270,000</u>	<u>\$ 1,130,581</u>	<u>\$ 1,400,581</u>

The following is a summary of bond payable transactions of the District for the year ended June 30, 2017:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2016	\$ 510,000	\$ 1,363,000	\$1,873,000
Bonds issued	-0-	-0-	-0-
Bonds retired	<u>(115,000)</u>	<u>(171,000)</u>	<u>(286,000)</u>
Outstanding at June 30, 2017	<u>\$ 395,000</u>	<u>\$ 1,192,000</u>	<u>\$ 1,587,000</u>

Long-term debt at June 30, 2018 consists of the following:

General obligation bonds:

\$1,140,000 General Obligation Refunding Bonds , Series 2006; dated June 21, 2005; Due in annual installments including interest at 3.75% to 4.15% of \$28,803 to \$145,810 through the year 2020	\$270,000
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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	\$595,000
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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	\$426,000
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Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%; maturity December 1, 2038	<u>\$109,581</u>
--	------------------

Total	<u>\$1,400,581</u>
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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, 2018 and 2017

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

The annual requirements to amortize all debt outstanding as of June 30, 2018, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 130,000	\$ 11,140	\$ 141,140
2020	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
Total	\$ <u>270,000</u>	\$ <u>16,950</u>	\$ <u>286,950</u>
 <u>Revenue Bonds</u>			
<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 176,000	\$ 27,010	\$ 203,010
2020	183,000	22,229	205,229
2021	179,000	17,003	196,003
2022	189,000	11,500	200,500
2023	35,000	8,158	43,158
2024 - 2030	<u>368,581</u>	<u>26,363</u>	<u>394,944</u>
Total	\$ <u>1,130,581</u>	\$ <u>112,263</u>	\$ <u>1,335,434</u>

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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
 OF CALCASIEU PARISH, LOUISIANA
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 June 30, 2018 and 2017**

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

The annual requirements to amortize all debt outstanding as of June 30, 2017, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	125,000	16,203	141,203
2019	130,000	11,140	141,140
2020	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
Total	<u>\$ 395,000</u>	<u>\$ 33,153</u>	<u>\$ 428,153</u>

<u>Revenue Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	171,000	31,171	202,171
2019	176,000	27,010	203,010
2020	183,000	22,229	205,229
2021	179,000	17,003	196,003
2022	189,000	11,500	200,500
2022-2030	<u>294,000</u>	<u>34,521</u>	<u>328,521</u>
Total	<u>\$ 1,192,000</u>	<u>\$ 143,434</u>	<u>\$ 1,335,434</u>

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, 2018, the District had cash and cash equivalents (book balances) totaling \$686,029, all of which is in demand deposits.

At June 30, 2018, the District had investments totaling \$274,922 all of which were in certificates of 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.

WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

Note 4 - Cash, Cash Equivalents, and Investments (Continued)

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.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2018 and 2017**

Note 4 - Cash, Cash Equivalents, and Investments (Continued)

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, 2018, the District had \$486,717 in demand deposits (bank balances before outstanding checks or deposits in transit) and \$274,922 in certificates of deposits. These deposits are secured from risk by \$273,592 of federal deposit insurance and \$500,000 of pledged securities held by the custodial bank's agent in the name of the Waterworks District.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ - 0 -	\$ - 0 -	\$ 21,150
Construction in progress	6,050	302,494	-0-	308,544
Capital Assets Being Depreciated:				
Plant and Distribution System	7,424,974	4,400	-0-	7,429,374
Furniture, Fixtures, & Equipment	<u>353,636</u>	<u>43,322</u>	<u>22,861</u>	<u>374,097</u>
Total Capital Assets being Depreciated	7,778,610	47,722	22,861	7,803,471
Less Accumulated Depreciation	<u>4,504,475</u>	<u>245,690</u>	<u>22,861</u>	<u>4,727,304</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,274,135</u>	<u>(197,968)</u>	<u>-0-</u>	<u>3,076,167</u>
 Total Capital Assets, Net	 <u>\$3,301,335</u>	 <u>\$104,526</u>	 <u>\$-0-</u>	 <u>\$3,405,861</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, 2018 are as follows:

Helen Duhon	\$ 1,500
Leroy Pronia	1,500
Rick Batchelor	1,500
Bernard Habetz	1,500
Deborah Fontenot	<u>1,400</u>
Total	<u>\$ 7,400</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.

WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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, 2018 consists of the following:

Customer Deposits	\$215,054
Debt Service Funds	<u>508,611</u>
	<u>\$723,665</u>

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 \$1,249 for the year ended June 30, 2018, and \$3,127 for the year ended June 30, 2017.

Note 11 - Subsequent Events

The District evaluated its June 30, 2018 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2018, 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 October 2, 2018.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2018-2 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. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2018-01 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, I express no opinion on it.

Purpose of this Report

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

Steven M DeRouen & Associates

Lake Charles, Louisiana
October 2, 2018

**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, 2018**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2018-01; material weakness in internal control – refer to B. 2018-02.
3. Non compliance – none noted.

B. GAGAS Findings:

1. 2018-01- 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.

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.

2018-02 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.

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
Summary of Prior Year Findings
For the Year Ended June 30, 2017**

2017-01 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.

2017-02 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, 2018

Agency Head: Deborah Fontenot, Board President

Purpose	Amount
Commissioner Fees	\$1,400
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

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AGREED-UPON PROCEDURES REPORT WATERWORKS DISTRICT NO. 8 OF WARDS 3 & 8 OF CALCASIEU PARISH, LOUISIANA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF APRIL 1, 2017 THROUGH MARCH 31, 2018

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 that 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, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read 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.

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.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

There were no observations noted resulting from the application of these procedures.

Bank Reconciliations

3. Obtain a listing of client 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 selected each 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, 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 that 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

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).
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 that are 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 verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. 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 that 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

There were no observations noted resulting from the application of these procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #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 that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There were no observations noted resulting from the application of these procedures..

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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 that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - 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 that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no observations noted resulting from the application of these procedures.

Travel and Travel-Related Expense Reimbursements

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, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no observations noted resulting from the application of these procedures.

Contracts

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 that 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 that 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 that the original contract terms provided for such an amendment.
 - 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 that the invoice and related payment agreed to the terms and conditions of the contract.

There were no observations noted resulting from the application of these procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/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/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no observations noted resulting from the application of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Findings: Ethics compliance documentation was not retained for 4 of 5 employees tested.

Managements Response: The District will improve its efforts to maintain documentation.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note 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.

Findings: No exceptions.

Other

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 that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: No exceptions.

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

The purpose of this report is 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

October 2, 2018
Lake Charles, Louisiana