

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

**Annual Financial Report
June 30, 2019 and 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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 December 20, 2019 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 as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 20, 2019

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

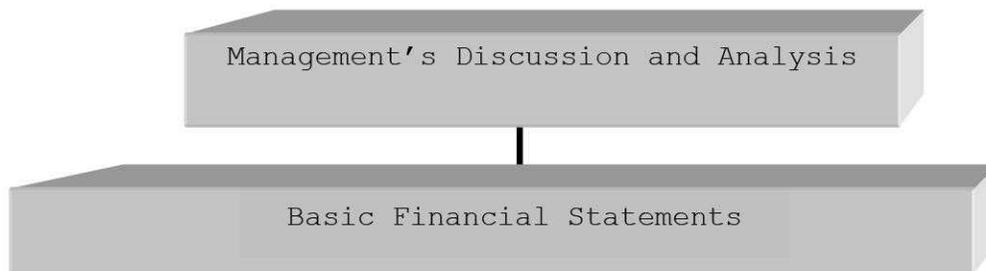
The Management’s Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2019. This document focuses on 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 2019 by \$2,994,744 (net assets) which represents a 13% increase from last fiscal year. Of this amount, \$132,356 (unrestricted net assets) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue increased \$7,342 (or 1%), operating expenses decreased \$204,857 (or 18%) and the net result from operating activities was a loss from operations of \$225,351.

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, 2019**

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

	2019	2018	2017
Current and other assets	\$958,887	\$1,109,593	\$972,325
Capital assets	4,804,167	3,405,861	3,301,335
Total assets	<u>5,763,054</u>	<u>4,515,454</u>	<u>4,273,660</u>
Other liabilities	323,726	462,798	264,427
Long-term debt outstanding	2,444,584	1,400,581	1,587,000
Total liabilities	<u>2,768,310</u>	<u>1,863,379</u>	<u>1,854,427</u>
Net position:			
Invested capital assets, net of debt	2,682,583	2,005,280	1,714,335
Restricted for debt service	179,805	508,611	292,352
Unrestricted	132,356	138,184	412,546
Total net position	<u>\$2,994,744</u>	<u>\$2,652,075</u>	<u>\$2,419,233</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

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 \$342,669 from June 30, 2018 to June 30, 2019.

	2019	2018	2017
Operating revenues	\$1,119,696	\$ 1,112,354	\$ 1,040,186
Operating expenses	1,345,047	1,140,190	1,150,034
Operating income (loss)	(225,351)	(27,836)	(109,848)
Non-operating revenues (expenses)	568,020	260,678	133,801
Net increase (decrease) in net position	<u>\$342,669</u>	<u>\$ 232,842</u>	<u>\$ 23,953</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had \$4,804,167 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 \$1,398,306, or 41%, over last year.

	2019	2018	2017
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	649,911	308,544	6,050
Plant and Distribution System	8,649,360	7,429,374	7,424,974
Furniture, Fixtures, and Equipment	437,888	374,097	353,636
Less Accumulated Depreciation	(4,954,142)	(4,727,304)	(4,504,475)
Totals	<u>\$ 4,804,167</u>	<u>\$ 3,405,861</u>	<u>\$ 3,301,335</u>

This year’s Major Capital additions included above were:

- Distribution upgrade \$791,577
- Hecker booster station \$307,542

Debt

The District had \$2,444,584 in bonds outstanding at year-end, compared to \$1,400,581 last year, a increase of 75%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue Bonds	\$ 2,304,584	\$ 1,130,581	\$ 1,223,000
General Obligation Bonds	140,000	270,000	364,000
Totals	<u>\$ 2,444,584</u>	<u>\$ 1,400,581</u>	<u>\$ 1,587,000</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, 2019**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and equivalents	\$ 59,899	\$ 151,201
Investments	46,456	86,085
Receivables (net of allowances for uncollectibles of \$1,000 for 2019 and \$1,000 for 2018):		
Water sales	81,738	100,458
Unbilled water sales	18,726	20,621
Other receivables	241	242
Prepaid expense	28,472	27,171
Total Current Assets	235,532	385,778
RESTRICTED ASSETS		
Cash and equivalents	533,602	534,828
Investments	189,603	188,837
Total Restricted Assets	723,205	723,665
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	8,649,360	7,429,374
Furniture, fixtures, and equipment	437,888	374,097
	9,087,248	7,803,471
Less accumulated depreciation	(4,954,142)	(4,727,304)
	4,133,106	3,076,167
Construction in progress	649,911	308,544
Land	21,150	21,150
Net Property, Plant, and Equipment	4,804,167	3,405,861
OTHER ASSETS		
Other assets	150	150
Total Other Assets	150	150
TOTAL ASSETS	\$ 5,763,054	\$ 4,515,454

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, 2019**

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 40,362	\$ 190,271
Accrued wages	59,359	50,103
Payroll and sales tax payable	3,605	2,264
	103,326	242,638
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	15,344	5,106
Current portion of revenue bonds	183,000	176,000
Current portion of general obligation bonds	140,000	130,000
Customer deposits	205,056	215,054
	543,400	526,160
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion)	2,121,584	954,581
General obligation bonds payable (net of current portion)	-	140,000
	2,121,584	1,094,581
Total Long-Term Liabilities	2,121,584	1,094,581
Total Liabilities	2,768,310	1,863,379
NET POSITION		
Investment in capital assets (net of related debt)	2,682,583	2,005,280
Restricted for debt service	179,805	508,611
Unrestricted	132,356	138,184
	2,994,744	2,652,075
Total Net Position	2,994,744	2,652,075
TOTAL LIABILITIES AND NET POSITION	\$ 5,763,054	\$ 4,515,454

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, 2019**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Water sales, fees and late charges	\$ 1,101,636	\$ 1,093,944
Tap fees	18,060	18,410
Total Operating Revenues	<u>1,119,696</u>	<u>1,112,354</u>
OPERATING EXPENSES		
Accounting and audit	22,511	22,510
Commissioner's fees	9,500	7,400
Office supplies and postage	42,862	31,275
Plant supplies and maintenance	298,521	238,273
Miscellaneous	65,755	82,317
Insurance	136,128	102,727
Truck expense	42,023	33,073
Telephone	18,707	13,742
Utilities	37,399	37,224
Salaries	351,578	264,980
Meter reading	33,407	36,493
Payroll taxes	29,164	20,972
Depreciation	249,427	245,690
Uniforms and cleaning	6,073	2,265
Retirement expense	1,992	1,249
Total Operating Expenses	<u>1,345,047</u>	<u>1,140,190</u>
INCOME (LOSS) FROM OPERATIONS	(225,351)	(27,836)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	257,714	260,449
Interest income	1,593	1,656
Interest and fiscal charges	(65,257)	(48,588)
Bond issue costs	-	(48,460)
Federal grant revenues	337,501	27,395
Miscellaneous income	35,169	65,606
Gain (loss) sale of assets	1,300	2,620
Total Non-Operating Revenues (Expenses)	<u>568,020</u>	<u>260,678</u>
CHANGE IN NET POSITION	<u>342,669</u>	<u>232,842</u>
NET POSITION AT BEGINNING OF YEAR	<u>2,652,075</u>	<u>2,419,233</u>
NET POSITION AT END OF YEAR	<u>\$ 2,994,744</u>	<u>\$ 2,652,075</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, 2019**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 1,140,312	\$ 1,088,764
Payment to suppliers	(688,771)	(604,084)
Payment to employees and benefits	(381,637)	(278,771)
Other	-	(1,061)
	<u>69,904</u>	<u>204,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	38,863	(724)
Interest income received	1,593	1,656
	<u>40,456</u>	<u>932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(1,813,558)	(186,441)
Proceeds from bonds payable	1,350,003	109,581
Principal paid on bonds	(306,000)	(296,000)
Interest paid	(55,019)	(50,266)
Ad valorem taxes received	257,714	260,449
Miscellaneous and other income received	373,970	93,001
Other	-	(43,810)
Increase(decrease) in customer deposits, net	(9,998)	20,188
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(202,888)</u>	<u>(93,298)</u>
Net Increase (Decrease) in Cash	(92,528)	112,482
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>686,029</u>	<u>573,547</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 593,501</u>	<u>\$ 686,029</u>
Cash and Cash Equivalents:		
Unrestricted	59,899	151,201
Restricted	<u>533,602</u>	<u>534,828</u>
	<u>\$ 593,501</u>	<u>\$ 686,029</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,**

	2019	2018
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (225,351)	\$ (27,836)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	249,427	245,690
(Increase) decrease in accounts receivable	20,616	(23,590)
(Increase) decrease in prepaid expense	(1,301)	(472)
Increase (decrease) in accounts payable and other accrued expenses	26,513	11,036
Total Adjustments	295,255	232,664
Net Cash Provided (Used) by Operating Activities	\$ 69,904	\$ 204,828
 Supplement Disclosure:		
Cash paid for interest	\$ 55,019	\$ 50,266

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, 2019 and 2018**

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, 2019 and 2018**

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 \$249,427 for the year ended June 30, 2019, and \$245,690 for the year ended June 30, 2018.

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, 2019 and 2018**

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, 2019 financial statements in order for them to be better compared to the June 30, 2018 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, 2018, taxes of 10.17 mills were levied on property with net assessed valuations of approximately \$20,996,062. Total taxes earned, net of pension funds, was \$257,714. 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, 2019 and 2018**

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, 2019:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2018	\$270,000	\$ 1,130,581	\$1,400,581
Bonds issued	-0-	1,350,003	1,350,003
Bonds retired	<u>(130,000)</u>	<u>(176,000)</u>	<u>(296,000)</u>
Outstanding at June 30, 2019	<u>\$ 140,000</u>	<u>\$ 2,304,584</u>	<u>\$ 2,444,584</u>

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>

Long-term debt at June 30, 2019 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	\$140,000
--	-----------

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	\$450,000
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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	\$395,000
--	-----------

Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%; maturity December 1, 2038	<u>\$1,459,584</u>
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Total	<u>\$2,444,584</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, 2019 and 2018**

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

The annual requirements to amortize all debt outstanding as of June 30, 2019, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
Total	\$ <u>140,000</u>	\$ <u>5,810</u>	\$ <u>145,810</u>
 <u>Revenue Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 240,566	\$ 57,428	\$ 297,994
2021	240,244	78,247	318,491
2022	254,492	76,992	331,484
2023	105,250	78,408	183,658
20243	111,606	82,716	194,322
2024 - 2030	<u>1,352,426</u>	<u>1,148,679</u>	<u>2,501,105</u>
Total	\$ <u>2,304,584</u>	\$ <u>1,522,470</u>	\$ <u>3,827,054</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. 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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2019 and 2018**

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

The annual requirements to amortize all debt outstanding as of June 30, 2019, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending 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 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>\$ 1,242,844</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, 2019, the District had cash and cash equivalents (book balances) totaling \$593,501, all of which is in demand deposits.

At June 30, 2019, the District had investments totaling \$236,059 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, 2019 and 2018**

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, 2019 and 2018**

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, 2019, the District had \$569,260 in demand deposits (bank balances before outstanding checks or deposits in transit) and \$236,059 in certificates of deposits. These deposits are secured from risk by \$509,651 of federal deposit insurance and \$850,000 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, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ - 0 -	\$ - 0 -	\$ 21,150
Construction in progress	308,544	649,911	308,544	649,911
Capital Assets Being Depreciated:				
Plant and Distribution System	7,429,374	1,219,986	-0-	8,649,360
Furniture, Fixtures, & Equipment	<u>374,097</u>	<u>86,681</u>	<u>22,890</u>	<u>437,888</u>
Total Capital Assets being Depreciated	7,803,471	1,306,667	22,890	9,087,248
Less Accumulated Depreciation	<u>4,727,304</u>	<u>249,427</u>	<u>22,589</u>	4,954,142
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,076,167</u>	<u>1,057,240</u>	<u>301</u>	<u>4,133,106</u>
Total Capital Assets, Net	\$3,405,861	\$1,707,151	\$-0-	\$4,804,167

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, 2019 are as follows:

Helen Duhon	\$ 1,900
Leroy Pronia	1,900
Rick Batchelor	1,900
Bernard Habetz	1,900
Deborah Fontenot	<u>1,900</u>
Total	\$ <u>9,500</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, 2019 and 2018**

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, 2019 consists of the following:

Customer Deposits	\$205,056
Debt Service Funds	<u>518,149</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 \$1,992 for the year ended June 30, 2019, and \$1,249 for the year ended June 30, 2018.

Note 11 - Subsequent Events

The District evaluated its June 30, 2019 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.

Supplementary Information

**WATERWORKS DISTRICT NO. 8
OF WARDS 3 AND 8 OF
CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U.S. Department Of Environmental Protection Agency: Passed Through the State of Louisiana: * Capitalization Grants for Drinking Water State Revolving Funds	66.468	7/1/18 - 6/30/19	\$ 1,687,503	\$ 1,687,503
Total federal assistance			<u>\$ 1,687,503</u>	<u>\$ 1,687,503</u>

*Denotes major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance). The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the guidance.

The amounts presented in this schedule do not differ from the amounts presented in or used in the preparation of the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

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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, 2019, and the related notes to the financial statements, which collectively comprise Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated December 20, 2019.

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 2019-2 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 2019-01 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
December 20, 2019

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

I have audited Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's major federal programs for the year ended June 31, 2019. Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's compliance.

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

Opinion on Each Major Federal Program

In my opinion, Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 20, 2019

**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, 2019**

A. Summary of Independent Auditor's Results:

Financial Statements

Type of auditor's report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	___	x
Significant deficiency identified not considered to be material weaknesses?	___	Yes	___	x
Noncompliance material to financial statements noted?	___	Yes	___	x
	___		___	

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	___	x
Significant deficiency identified not considered to be material weaknesses?	___	Yes	___	x
Type of auditor's report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___	Yes	___	x

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	U.S. Department of Environmental Protection Agency – Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**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, 2019**

B. GAGAS Findings:

1. 2019-01- 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.

2019-02 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.

C. Federal Award Findings:

None.

**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, 2018**

2018-01 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.

2018-02 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, 2019

Agency Head: Deborah Fontenot, Board President

Purpose	Amount
Commissioner Fees	\$1,900
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

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

**Independent Accountant's Report On Applying
Agreed-Upon Procedures**

July 1, 2018 – June 30, 2019

STEVEN M. DEROUEN & ASSOCIATES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

I have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Waterworks District No. 8 of Wards 3 & 8 of Calcasieu Parish, Louisiana 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 period July 1, 2018 through June 30, 2019. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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**, including receiving, recording, and preparing deposits
 - 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, and (5) monitoring card usage
 - 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. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) **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.

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, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

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

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Finding: No exceptions.

Non – Payroll Disbursements –(excluding credit card purchases/payments, and petty cash purchases)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings: Ethics compliance was not performed.

Managements Response: The District will improve its efforts to oversee that all employees and board members comply.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

As the District did not have an exception in this AUP category in prior year, this procedure was tested in year 3.

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

December 20, 2019
Lake Charles, Louisiana