

**WESTON WATER SYSTEM, INC
JONESBORO, LOUISIANA**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017**

Weston Water System, Inc.
Jonesboro, Louisiana

Financial Report
December 31, 2017

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Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of the
Weston Water System, Inc.
Jonesboro, Louisiana 71251

We have reviewed the accompanying financial statements of the Weston Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Weston Water System's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter Paragraphs

Other Reporting Requirements

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated April 23, 2018, on the results of our agreed-upon procedures on pages 13 through 15. In addition, pages 16 through 18 present the Louisiana Attestation Questionnaire.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's
Natchitoches, Louisiana

April 23, 2018

FINANCIAL STATEMENTS

Weston Water System, Inc.
Statement of Financial Position
December 31, 2017

ASSETS:	
Cash & Cash Equivalents	\$ 65,687
Accounts Receivable	25,421
Grant Receivable	30,537
Restricted Assets	126,064
Meter Deposits	845
Property, Buildings & Equipment, Net	<u>2,767,809</u>
Total Assets	<u>\$3,016,363</u>
LIABILITIES:	
Customers' Meter Deposits	\$ 39,622
Grant Payable	30,537
Long-Term Debt-	
Due Within One Year	31,375
Due in More than One Year	<u>763,822</u>
Total Liabilities	<u>\$ 865,356</u>
NET ASSETS:	
Unrestricted	<u>\$2,151,007</u>
Total Liabilities & Net Assets	<u>\$3,016,363</u>

The accompanying notes are an integral part of this statement.

Weston Water System, Inc.
Statement of Activities
Year Ended December 31, 2017

OPERATING REVENUES:	
Charges for Services & Late Fees	\$ <u>220,224</u>
OPERATING EXPENSES:	
Management Fees	\$ 72,261
Depreciation	95,867
Insurance	6,459
Legal & Accounting	10,404
Labor	1,200
Office & Other Expenses	1,392
Repairs & Maintenance	6,739
Chemicals	1,198
Taxes & Licenses	6,702
Utilities	<u>26,018</u>
Total Operating Expenses	\$ <u>228,240</u>
Operating Income (Loss)	\$ <u>(8,016)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 260
Interest Expense	<u>(37,187)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(36,927)</u>
Loss Before Contributions	\$ <u>(44,943)</u>
CAPITAL CONTRIBUTIONS:	
Grant Revenue-	
Federal	\$ 703
State	<u>269,739</u>
Total Capital Contributions	\$ <u>270,442</u>
Change in Net Assets	\$ 225,499
Net Assets-Beginning of Year	1,925,508
Net Assets-End of Year	<u>\$2,151,007</u>

The accompanying notes are an integral part of this statement.

Weston Water System, Inc.
Statement of Cash Flows
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (8,016)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities-	
Depreciation	95,867
(Increase)/Decrease in Operating Assets	
Accounts Receivable	(30,537)
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	19,231
Customer Deposits	<u>(120)</u>
Net Cash Provided by Operating Activities	\$ <u>76,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	\$ <u>260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Capital Grants	\$ 270,442
Proceeds from Capital Debt	1,641
Acquisition and Construction of Fixed Assets	(272,927)
Principal Paid on Debt	(30,296)
Interest Paid on Debt	<u>(37,186)</u>
Net Cash Used by Financing Activities	\$ <u>(68,326)</u>
Net Increase in Cash and Cash Equivalents	\$ 8,359
Cash and Cash Equivalents-Beginning of Year	<u>183,392</u>
Cash and Cash Equivalents-End of Year	\$ <u>191,751</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:	
Current Assets-	
Cash and Cash Equivalents	\$ 65,687
Restricted Assets-	
Cash and Cash Equivalents	<u>126,064</u>
Total Cash and Cash Equivalents	\$ <u>191,751</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2017

INTRODUCTION

The Weston Water System, Inc. (the “Water System”) is a not-for-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes on January 11, 1966. The Water System was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property who desire to be served by the System’s water system shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one (1) vote only regardless of the number of membership certificates held.

The Water System serves the Weston community between Jonesboro and Caney Lake traveling east to west and between Wyatt and Nine Pines Road traveling north to south. The Weston Water System, Inc. has three stations, Blankenship, Highway 4, and Caney Lake Booster. The Water System serves approximately 500 to 600 residential and commercial customers.

1. Summary of Significant Accounting Policies:

A. Method of Accounting-

The accompanying financial statements of the Water System have been prepared in conformity with generally accepted accounting principles (GAAP) utilizing the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenses are generally recognized when the related liability is incurred. Purchases of various operating supplies are regarded as expenses at the time purchased.

B. Financial Statement Presentation-

The Weston Water System, Inc. has adopted FASB Accounting Standard Codification 958-205 “Not-for-Profit Organizations.” Under FASB ASC 958-205, the Water System is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Water System is required to present a statement of cash flows.

C. Cash and Cash Equivalents-

Cash and cash equivalents include amounts in time deposits and those investments with original maturities of 180 days or less. For purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.

D. Receivables-

Accounts receivable consists of amounts due from members for water service provided prior to year-end. All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. As of December 31, 2017, all receivables were expected to be collected; therefore, there was no allowance for doubtful accounts.

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2017

E. Property & Equipment-

Expenditures for routine maintenance, repairs, and other renewals of items are charged to expense as incurred. Expenditures for property and equipment and for renewals and betterments, which extend the originally estimated economic life of the assets, are capitalized and carried at historical costs. Generally, items under \$1,000 are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 5 to 10 years for furniture, fixtures, machinery and equipment, 20 to 25 for the water distribution system, and 20 to 40 years for buildings and improvements.

F. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash:

The cash and cash equivalents of Weston Water System, Inc. are subject to the following risk:

As of December 31, 2017, the Water System had \$191,751 in bank deposits, with a book balance of \$191,688. These deposits were fully secured by FDIC insurance coverage.

3. Restricted Assets:

Certain resources of the Weston Water System, Inc. are classified as restricted assets on the balance sheet because their use is limited by bond ordinances, or because they represent customers' deposits being held by the fund. At December 31, 2017, the Water System had the following restricted assets:

Cash-Member Meter Deposit	\$ 27,112
Cash-Debt Service Fund	28,227
Cash-Reserve Fund	10,292
Cash-Capital Additions	35,433
CD	<u>25,000</u>
Total	<u>\$126,064</u>

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2017

4. Property & Equipment:

Depreciable assets and depreciation activity as of and for the year ended December 31, 2017, is summarized as follows:

	Balance <u>January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2017</u>
Capital Assets not Depreciated-				
Land	\$ 15,829	\$ 0	\$ 0	\$ 15,829
Construction in Progress	85,178	0	(85,178)	0
Capital Assets Depreciated-				
Buildings & Improvements	6,427	0	0	6,427
Equipment	37,092	0	0	37,092
Distribution System	3,287,450	358,105	0	3,645,555
Less: Accumulated Depreciation	<u>(841,227)</u>	<u>(95,867)</u>	<u>0</u>	<u>(937,094)</u>
Total Capital Assets, Net	<u>\$2,590,749</u>	<u>\$ 262,238</u>	<u>\$ (85,178)</u>	<u>\$2,767,809</u>

Depreciation expense for the year ended December 31, 2017 was \$95,867.

5. Notes Payable:

- In May 2010, the Water System borrowed \$685,000 from Jackson Parish Bank which was secured by land and the distribution system. The terms of this loan are repayment to be made over 20 years at \$4,620 per month at 5.256% interest. On March 18, 2014 a modification to the loan was made and the monthly payments changed to \$4,065 per month at 5.25% interest, which will extend the date of completion from May 5, 2030 to May 5, 2034.
- Series 2014 Bonds, also referred to as the Safe Drinking Water Revolving Loan Fund, in the amount of \$405,000, of which \$121,500 of the principal will be forgiven, were authorized during the year ended December 31, 2014 to fund the rehabilitation of Water Well #5. As of December 31, 2016, total bond proceeds were issued. The terms of the loan are annual principal payments and semi-annual interest payments for 20 years at 2.95% interest.

The annual debt service requirements to maturity for these loans are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 32,452	\$ 35,102	\$ 67,554
2019	34,605	33,623	68,228
2020	35,821	32,054	67,875
2021	37,102	30,419	67,521
2022	39,357	28,809	68,166
Thereafter	<u>615,860</u>	<u>159,957</u>	<u>775,817</u>
Total	<u>\$795,197</u>	<u>\$319,964</u>	<u>\$1,115,161</u>

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2017

5. Notes Payable (Continued):

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	<u>Balance</u> <u>01-01-17</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>12-31-17</u>
General Obligation	\$551,993	\$ 0	\$(20,296)	\$531,697
Revenue Bonds	<u>271,859</u>	<u>1,641</u>	<u>(10,000)</u>	<u>263,500</u>
Total	<u>\$823,852</u>	<u>\$1,641</u>	<u>\$30,296</u>	<u>\$795,197</u>

6. Income Taxes:

The Weston Water System is exempt from federal income taxes. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

7. Litigation and Claims

Management of the Weston Water System, Inc. is not aware of any litigation or claims against it at December 31, 2017.

8. Subsequent Events:

Management has evaluated events through April 23, 2018, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

SUPPLEMENTAL INFORMATION

Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Weston Water System, Inc.
P.O. Box 324
Jonesboro, Louisiana 71251

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Weston Water System, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Weston Water System, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2017, included in the Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with 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 the report. Consequently, we 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.

PUBLIC BID LAW

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures found to be in violation.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1224 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required lists.

3. Obtain from management a listing of all employees paid during the period under examination.

There are no employees.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedures (3) were also included on the listing obtained from management in agreed-upon procedures (2) as immediate family members.

There are no employees.

BUDGETING

5. Obtain a copy of the legally adopted budget and all amendments.

Not applicable.

6. Trace the budget and amendment adoption to the minute book.

Not applicable.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

Not applicable.

ACCOUNTING AND REPORTING

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee:

We examined supporting documentation for each of the disbursements and found that the payments were for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account:

Each disbursement appeared to be coded correctly.

- (c) determine whether payments received approval from proper authorities:

Inspection of supporting documentation showed appropriate approval.

MEETINGS

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Management has asserted that meetings were properly advertised.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or any other indebtedness which have not been approved by the State Bond Commission.

We inspected copies of all bank deposits for the period under examination and noted no deposits that appeared to be proceeds of bank loans, bonds, or other indebtedness that had not been approved by the State Bond Commission.

ADVANCES AND BONUSES

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advances, or gifts.

There are no employees.

Our prior year report dated May 23, 2017, did not contain any findings, comments or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Weston Water System, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's
Natchitoches, Louisiana

April 23, 2018

WESTON WATER SYSTEM, INC.
LOUISIANA ATTESTATION QUESTIONNAIRE

Johnson, Thomas & Cunningham, CPA's
321 Bienville Street
Natchitoches, LA 71457

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2017 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes No

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes No

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes No

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes No

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes No

Signed by and title

Sydney Hall