

**WATERWORKS DISTRICT NO. 11
OF WARDS 4 AND 7 OF
CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana**

**Financial Statements
June 30, 2017 and 2016**

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STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@jderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana
Sulphur, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2017 and 2016, 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 23, 2017 on my consideration of Waterworks District 11 of Wards 4 and 7 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana

October 23, 2017

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

The Management’s Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2017. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

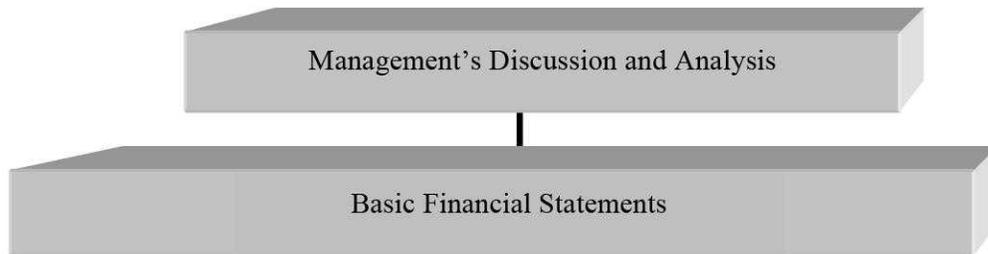
FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2017 by \$2,016,404 which represents a 7.1% increase from last fiscal year. Of this amount, \$413,392 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.

- ★ The District’s operating revenue increased \$30,770 (or 3.5%) and the net income from operations decreased by \$96,939.

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. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement 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 fund net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement 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 fund net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (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

	2017	2016	2015
Current assets	\$ 993,374	\$ 1,052,437	\$ 972,001
Capital assets	3,230,020	3,221,554	3,283,565
Total assets	<u>4,223,394</u>	<u>4,273,991</u>	<u>4,255,566</u>
Other liabilities	246,237	207,412	196,065
Long-term debt outstanding	1,960,753	2,184,220	2,409,200
Total liabilities	<u>2,206,990</u>	<u>2,391,632</u>	<u>2,605,265</u>
Net position:			
Net investment in capital assets	1,338,020	1,093,054	918,565
Amounts restricted for debt service	264,992	375,197	361,641
Unrestricted amounts	413,392	414,108	370,095
Total net position	<u>\$ 2,016,404</u>	<u>\$ 1,882,359</u>	<u>\$ 1,650,301</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which they may be used.

The net position of the District increased by \$134,045, or 7.1%, from June 30, 2016 to June 30, 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 908,209	\$ 877,439	\$ 827,181
Operating expenses	<u>(980,959)</u>	<u>(853,250)</u>	<u>(861,375)</u>
Operating income (loss)	(72,750)	24,189	(34,194)
Non-operating revenues (expenses)	<u>206,795</u>	<u>207,869</u>	<u>202,662</u>
Net increase (decrease) in net position	<u>\$ 134,045</u>	<u>\$ 232,058</u>	<u>\$ 168,468</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had \$3,230,020, 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 \$8,466, or .3%, from last year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Plant and Distribution System	5,678,495	5,611,481	5,537,488
Furniture, Fixtures, and Equipment	200,056	188,565	179,746
Construction in Progress	85,058	3,760	-0-
Less Accumulated Depreciation	<u>(2,754,953)</u>	<u>(2,603,616)</u>	<u>(2,455,033)</u>
Totals	<u>\$ 3,230,020</u>	<u>\$ 3,221,554</u>	<u>\$ 3,283,565</u>

This year's significant capital additions included above were:

- Taps/Bores \$ 67,014
- Water Tank Construction Project \$ 81,298

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

Debt

The District had \$1,892,000 in bonds outstanding at year-end, compared to \$2,128,500 last year, a decrease of 11.1%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 1,615,000	\$ 1,765,000	\$ 1,915,000
General Obligation Bonds	65,000	125,000	185,000
Certificates of Indebtedness	<u>212,000</u>	<u>238,500</u>	<u>265,000</u>
Totals	<u>\$ 1,892,000</u>	<u>\$ 2,128,500</u>	<u>\$ 2,365,000</u>

The District issued \$265,000 of Excess Revenue Certificates of Indebtedness, Series 2014, during the fiscal year ending June 30, 2015. The Certificates of Indebtedness were dated October 21, 2014. These certificates were issued for the purpose of funding a portion of the costs of construction and installation of a new elevated water tank and installation of water lines within the District.

The District's Series 1998 General Obligation Bonds and Water Revenue Refunding Bonds, 2012 Series, are un-rated.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our 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 Crystal Nettles, Office Manager, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Net Position
As of June 30,**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 154,001	\$ 139,360
Restricted assets:		
Cash and cash equivalents	449,279	541,014
Investments	238,549	238,050
Receivables (net of allowances for uncollectibles of \$5,477 for 2017 and \$5,047 for 2016):		
Water sales	84,833	73,701
Unbilled water sales	45,302	39,746
Ad Valorem taxes	582	582
Prepaid expenses	20,828	19,984
Total Current Assets	993,374	1,052,437
PROPERTY, PLANT, AND EQUIPMENT		
Plant and distribution system	5,678,495	5,611,481
Furniture, fixtures, and equipment	200,056	188,565
	5,878,551	5,800,046
Less accumulated depreciation	(2,754,953)	(2,603,616)
	3,123,598	3,196,430
Construction in progress	85,058	3,760
Land and right of ways	21,364	21,364
Net Property, Plant, and Equipment	3,230,020	3,221,554
TOTAL ASSETS	\$ 4,223,394	\$ 4,273,991

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Net Position (Continued)
As of June 30,**

	2017	2016
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 23,059	\$ 12,259
Accrued wages	20,517	15,018
Payroll taxes and retirement payable	26,325	12,768
Total Current Liabilities	69,901	40,045
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	6,566	8,137
Due within one year - general obligation bonds	65,000	60,000
Due within one year - revenue bonds	155,000	150,000
Due within one year - excess revenue certificates of indebtedness	26,500	26,500
Refundable customer deposits	169,770	159,230
Total Current Liabilities (Payable From Restricted Assets)	422,836	403,867
LONG-TERM LIABILITIES		
Due in more than one year - general obligation bonds	-	65,000
Due in more than one year - revenue bonds	1,460,000	1,615,000
Due in more than one year - excess revenue certificates of indebtedness	185,500	212,000
OPEB payable	68,753	55,720
Total Long-Term Liabilities	1,714,253	1,947,720
TOTAL LIABILITIES	2,206,990	2,391,632
NET POSITION		
Net investment in capital assets	1,338,020	1,093,054
Amounts restricted for debt service	264,992	375,197
Unrestricted amounts	413,392	414,108
TOTAL NET POSITION	\$ 2,016,404	\$ 1,882,359

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Water sales	\$ 847,280	\$ 826,308
Tap fees	60,929	51,131
Total Operating Revenues	<u>908,209</u>	<u>877,439</u>
OPERATING EXPENSES		
Salaries	354,721	327,723
Payroll taxes and employee benefits	26,901	34,004
Retirement expense	16,598	13,786
Insurance	117,954	115,453
Legal and accounting fees	12,168	11,639
Office supplies	9,541	9,970
Plant supplies	51,310	58,046
Repairs and maintenance	135,455	40,013
Truck expense	9,981	9,071
Utilities and telephone	51,747	52,229
Depreciation	151,337	148,583
Bank charges	5,197	5,328
Dues and fees	5,914	2,394
Commissioners per diem	7,600	6,500
Miscellaneous	24,535	18,511
Total Operating Expenses	<u>980,959</u>	<u>853,250</u>
INCOME (LOSS) FROM OPERATIONS	<u>(72,750)</u>	<u>24,189</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	248,347	293,737
Interest income	1,898	518
Interest expense	(75,675)	(83,578)
Miscellaneous income (expense)	32,225	(2,808)
Total Non-Operating Revenues (Expenses)	<u>206,795</u>	<u>207,869</u>
CHANGE IN NET POSITION	134,045	232,058
NET POSITION - BEGINNING OF YEAR	<u>1,882,359</u>	<u>1,650,301</u>
NET POSITION - END OF YEAR	<u>\$ 2,016,404</u>	<u>\$ 1,882,359</u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Cash Flows
For the Years Ended June 30,**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 891,521	\$ 868,285
Payments to suppliers	(429,386)	(360,986)
Payments to employees	(349,222)	(324,620)
Net Cash Provided (Used) for Operating Activities	112,913	182,679
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	(499)	-
Interest earned	1,898	518
Net Cash Provided (Used) for Investing Activities	1,399	518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(159,803)	(82,812)
Principal payments on bonds	(236,500)	(236,500)
Interest expense	(75,675)	(83,578)
Cash received for ad valorem taxes	248,347	293,737
Miscellaneous	32,225	(2,808)
Net Cash Provided (Used) for Capital and Related Financing Activities	(191,406)	(111,961)
Net Increase (Decrease) in Cash and Cash Equivalents	(77,094)	71,236
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	680,374	609,138
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 603,280	\$ 680,374
Cash and Cash Equivalents:		
Unrestricted	\$ 154,001	\$ 139,360
Restricted	449,279	541,014
	\$ 603,280	\$ 680,374

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended June 30,**

	2017	2016
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ (72,750)	\$ 24,189
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	151,337	148,583
Provisions for bad debts	430	-
(Increase) decrease in accounts receivable	(17,118)	(9,154)
(Increase) decrease in prepaid expense	(844)	(46)
Increase (decrease) in accounts payable and other accrued expenses	28,285	(208)
Increase (decrease) in restricted refundable customer deposits	10,540	7,795
Increase (decrease) in accrued OPEB payable	13,033	11,520
Total Adjustments	185,663	158,490
Net Cash Provided (Used) by Operating Activities	\$ 112,913	\$ 182,679
 Supplemental Disclosure:		
Cash paid for interest	\$ 77,246	\$ 85,147

The accompanying notes are an integral part of the financial statements.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. 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.

A. Financial Reporting Entity

As more fully described in paragraph one above, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

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.

C. 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.

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.

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the statement of net position.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Fixed Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Plant and distribution system	10 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 40 Years	Straight Line

Depreciation expense amounted to \$151,337 for the year ended June 30, 2017, and \$148,583 for the year ended June 30, 2016.

E. 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.

F. 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.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Prior Year Balances

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets.

H. Cash and Cash Equivalents

The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

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 year ended December 31, 2016, taxes of 6.23 mills were levied on property with net assessed valuations of approximately \$41,818,753. Total taxes levied, net of pension funds, were \$252,329. The 6.23 mills were dedicated as follows:

Maintenance fund	5.23 mills
Sinking fund	1.00 mills

Note 3 - Changes in Long-Term Debt

The following is a summary of long-term debt payable transactions of the District for the year ended June 30, 2017 and 2016:

	General Obligation	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2015	\$ 185,000	\$ 1,915,000	\$ 265,000	\$ 2,365,000
Debt Retired	<u>(60,000)</u>	<u>(150,000)</u>	<u>(26,500)</u>	<u>(236,500)</u>
Outstanding at June 30, 2016	<u>\$ 125,000</u>	<u>\$ 1,765,000</u>	<u>\$ 238,500</u>	<u>\$ 2,128,500</u>
	General Obligation	Revenue	Certificates of Indebtedness	Total
Outstanding at July 1, 2016	\$ 125,000	\$ 1,765,000	\$ 238,500	\$ 2,128,500
Debt Retired	<u>(60,000)</u>	<u>(150,000)</u>	<u>(26,500)</u>	<u>(236,500)</u>
Outstanding at June 30, 2017	<u>\$ 65,000</u>	<u>\$ 1,615,000</u>	<u>\$ 212,000</u>	<u>\$ 1,892,000</u>

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

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

Long-term debt at June 30, 2017 and 2016 consisted of the following:

<u>General Obligation Bonds:</u>	<u>2017</u>	<u>2016</u>
\$800,000 General Obligation Bonds, Series 1998, of Waterworks District No. 11 of Wards 4 and 7 of the Parish of Calcasieu, Louisiana; dated June 1, 1999; due in annual installments including interest at 4.10% to 5.10% through the year 2018	\$ 65,000	\$ 125,000
 <u>Revenue Bonds:</u>		
\$2,365,000 Water Revenue Refunding Bonds, 2012 Series, dated April 19, 2012; due in annual installments of \$34,248 to \$219,663 through June 1, 2026, interest at 1.25% to 4.25%	\$ 1,615,000	\$ 1,765,000
 <u>Certificates of Indebtedness:</u>		
\$265,000 Excess Revenue Certificates of Indebtedness, Series 2014, dated October 21, 2014; due in annual installments of \$26,872 to \$30,223 through October 1, 2024, interest at 2.81%	\$ 212,000	\$ 238,500

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
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Notes to Financial Statements
June 30, 2017 and 2016

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

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

<u>General Obligation Bonds</u>			
Year Ending	Principal	Interest	Total
<u>June 30,</u>			
2018	\$ 65,000	\$ 3,315	\$ 68,315
<u>Revenue Bonds</u>			
Year Ending	Principal	Interest	Total
<u>June 30,</u>			
2018	\$ 155,000	\$ 60,006	\$ 215,006
2019	160,000	55,356	215,356
2020	165,000	50,556	215,556
2021	170,000	45,400	215,400
2022	180,000	39,663	219,663
2023-2026	<u>785,000</u>	<u>85,213</u>	<u>870,213</u>
Total	<u>\$ 1,615,000</u>	<u>\$ 336,194</u>	<u>\$ 1,951,194</u>
<u>Certificates of Indebtedness</u>			
Year Ending	Principal	Interest	Total
<u>June 30,</u>			
2018	\$ 26,500	\$ 5,585	\$ 32,085
2019	26,500	4,840	31,340
2020	26,500	4,096	30,596
2021	26,500	3,351	29,851
2022	26,500	2,606	29,106
2023-2025	<u>79,500</u>	<u>3,351</u>	<u>82,851</u>
Total	<u>\$ 212,000</u>	<u>\$ 23,829</u>	<u>\$ 235,829</u>

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

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

The annual requirements to amortize all debt outstanding as of June 30, 2016, are as follows:

<u>General Obligation Bonds</u>			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 60,000	\$ 6,375	\$ 66,375
2018	65,000	3,315	68,315
Total	<u>\$ 125,000</u>	<u>\$ 9,690</u>	<u>\$ 134,690</u>
<u>Revenue Bonds</u>			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 150,000	\$ 64,506	\$ 214,506
2018	155,000	60,006	215,006
2019	160,000	55,356	215,356
2020	165,000	50,556	215,556
2021	170,000	45,400	215,400
2022-2026	965,000	124,875	1,089,875
Total	<u>\$ 1,765,000</u>	<u>\$ 400,699</u>	<u>\$ 2,165,699</u>
<u>Certificates of Indebtedness</u>			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 26,500	\$ 6,330	\$ 32,830
2018	26,500	5,585	32,085
2019	26,500	4,840	31,340
2020	26,500	4,096	30,596
2021	26,500	3,351	29,851
2022-2025	106,000	5,957	111,957
Total	<u>\$ 238,500</u>	<u>\$ 30,159</u>	<u>\$ 268,659</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 and certificates of indebtedness are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
 OF CALCASIEU PARISH, LOUISIANA
 Sulphur, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016

Note 4 - Compliance with Bond Covenants

The revenue bond agreement contains various requirements relating to reserves, financial ratios, operating results, etc. The District met all requirements for the years ending June 30, 2017 and 2016.

Note 5 - Restricted Assets

Certain proceeds of enterprise fund revenue bonds and general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits. The following is a schedule of restricted assets as of June 30,:

	2017	2016
Bond Redemption Fund	\$ 9,392	\$ 65,624
Sinking Fund	19,109	18,833
Reserve Fund	219,690	219,690
Construction Fund	269,867	315,687
Customer Deposits	<u>169,770</u>	<u>159,230</u>
	<u>\$ 687,828</u>	<u>\$ 779,064</u>

Note 6 - Cash, Cash Equivalents, and Investments

At June 30, 2017 and 2016, the District had cash and cash equivalents (book balances) totaling \$603,280 and \$680,374, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. 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 by the pledging financial institution's trust department or agent, in the District's name.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned.

At June 30, 2017, the District had \$625,962 in deposits (collected bank balances). These deposits are secured from risk by \$448,875 of federal deposit insurance and \$235,542 of pledged securities held in a custodial bank in the District's name.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
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Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 6 - Cash, Cash Equivalents, and Investments (Continued)

At June 30, 2016, the District had \$715,655 in deposits (collected bank balances). These deposits are secured from risk by \$458,427 of federal deposit insurance and \$316,309 of pledged securities held in a custodial bank in the District's name.

The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk on those amounts.

Under Louisiana Revised Statutes 33:2955, 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 principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, highly rated investment grade commercial paper, and mutual or trust funds registered 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). The carrying amount of the District's investment in LAMP was \$238,549 as of June 30, 2017 and \$238,050 as of June 30, 2016.

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 LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

Credit risk: LAMP is rated AAA by Standard & Poor's. The District does not have credit risk policies for investments.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016**

Note 6 - Cash, Cash Equivalents, and Investments (Continued)

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 39 days as of June 30, 2017. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable to 2a7-like pools.

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 net 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.

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Construction in Progress	<u>3,760</u>	<u>81,298</u>	<u>-0-</u>	<u>85,058</u>
Capital Assets Being Depreciated:				
Plant and Distribution System	5,611,481	67,014	-0-	5,678,495
Furniture, Fixtures, & Equipment	<u>188,565</u>	<u>11,491</u>	<u>-0-</u>	<u>200,056</u>
Total Capital Assets being Depreciated	5,800,046	78,505	-0-	5,878,551
Less Accumulated Depreciation	<u>2,603,616</u>	<u>151,337</u>	<u>-0-</u>	<u>2,754,953</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,196,430</u>	<u>(72,832)</u>	<u>- 0 -</u>	<u>3,123,598</u>
Total Capital Assets, Net	<u>\$3,221,554</u>	<u>\$ 8,466</u>	<u>\$ - 0-</u>	<u>\$ 3,230,020</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016**

Note 7 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ -0-	\$ 21,364
Construction in Progress	<u>-0-</u>	<u>3,760</u>	<u>-0-</u>	<u>3,760</u>
Capital Assets Being Depreciated:				
Plant and Distribution System	5,537,488	73,993	-0-	5,611,481
Furniture, Fixtures, & Equipment	<u>179,746</u>	<u>8,819</u>	<u>-0-</u>	<u>188,565</u>
Total Capital Assets being Depreciated	5,717,234	82,812	-0-	5,800,046
Less Accumulated Depreciation	<u>2,455,033</u>	<u>148,583</u>	<u>-0-</u>	<u>2,603,616</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,262,201</u>	<u>(65,771)</u>	<u>- 0 -</u>	<u>3,196,430</u>
Total Capital Assets, Net	<u>\$3,283,565</u>	<u>\$ (62,011)</u>	<u>\$ - 0 -</u>	<u>\$3,221,554</u>

Note 8 - 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 during the current year are as follows:

	<u>2017</u>	<u>2016</u>
Neva Martin	\$ 1,700	\$ 1,300
Ronnie Bowers	1,700	1,400
Robert Barrentine	1,300	1,400
Wayne Moreau	1,600	1,300
Mike Guidry	<u>1,300</u>	<u>1,100</u>
Total	<u>\$ 7,600</u>	<u>\$ 6,500</u>

Note 9 - Defined Contribution Plan

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The employee contributions and employer matching are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. The District has no obligation other than that of paying the current year's liability. All District employees are permitted to contribute a portion of their salary to the plan. The District makes a matching contribution to the plan up to 6% of the employee's compensation. This plan is administered by MassMutual Financial Group.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
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Notes to Financial Statements
June 30, 2017 and 2016

Note 9 - Defined Contribution Plan (Continued)

During the year ending June 30, 2017, contributions by the District amounted to \$16,598, covering all of the District's payroll of \$354,721.

During the year ending June 30, 2016, contributions by the District amounted to \$13,786, covering \$230,994 of the District's total payroll of \$327,723.

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the District carries commercial insurance.

Note 11 - Other Postemployment Benefits (OPEB)

In the fiscal year ending June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the District consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future - upon retirement, and whose costs will be borne by the District in the future. This Statement attempts to quantify the future "retirement" costs that have been earned by the employee during his active years of employment. The District will finance the postemployment benefits on a "pay-as-you-go" basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of your current employees once they retire not just the liability referred to above that is actually recognized in the Statement of Net Position. The Parish contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 as of January 1, 2008, January 1, 2010, January 1, 2012, January 1, 2014, and January 1, 2016. Since GASB Statement No. 45 requires valuations every other year for plan memberships exceeding 200, the actuarial valuations prepared will be utilized for the two year periods of 2008 and 2009, 2010 and 2011, 2012 and 2013, and 2014 and 2015 with the inclusion of the appropriate second year adjustments.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
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June 30, 2017 and 2016

Note 11 – Other Postemployment Benefits (OPEB) (Continued)

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description: The Calcasieu Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. As a component unit, the District may at their option participate in the employee’s group health, dental and life insurance programs sponsored and administered by the Parish in conjunction with its third party insurance providers and administrative agents.

In addition to the option to participate in the group health, dental and life plans during employment, at retirement, employees who have twenty (20) years of cumulative service will be eligible for certain retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. The Parish currently offers its retirees the option to elect to participate in the health, dental and life plans. While there is no specific written plan or trust for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members.

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Parish management. As stated previously, the required contribution is based on projected “pay-as-you-go” financing requirements. The employer contribution to the OPEB plan allocated to the District for 2016 was \$1,091. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2015 consisted of \$460 per month if under age 65, \$357 per month if subject to Medicare Supplement Part A, or \$249.90 per month if subject to Medicare Supplements Parts A & B. The retiree share of insurance premiums paid monthly for 2016 consisted of \$502 per month if under age 65, \$375 per month if subject to Medicare Supplement Part A, or \$296 per month if subject to Medicare Supplements Parts A & B. Retiree dental is \$42 per month. The Parish also provides an option to the Retirees to participate in a High Deductible plan with premiums of \$296 per month if under age 65 with the dental coverage the same.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

Note 11 – Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was used for the January 1, 2012, January 1, 2014, and January 1, 2016 actuarial valuations. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all four valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2016 actuarial valuation report were based on the RP 2014 Healthy Male and Female Tables while the 2012 and 2014 actuarial valuation reports were based on the RP 2000 Male and Female Tables. Turnover rates for all valuation reports were based on the Parish’s historical data and modified based on years of employment.

For the January 1, 2016 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees’ costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2016 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2023 and beyond. A 1% inflation factor was utilized each year. The 2016 actuarial valuation also assumes that (1) the member’s current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2016 was twenty-one years.

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
 OF CALCASIEU PARISH, LOUISIANA
 Sulphur, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016

Note 11 – Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation: The Parish’s annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2014, 2015, and 2016. The ARC was calculated as part of the January 1, 2016 actuarial valuations performed by outside actuary consultants. The 2014 and 2015 ARC was obtained from the 2012 and 2014 valuation report respectively and adjusted for another year’s activity as required by GASB Statement No. 45.

The following shows the components of the District’s annual allocation of OPEB costs for the current year:

Annual Required Contribution (ARC)	\$ 8,796
Interest on Net OPEB Obligation	2,229
Adjustment to ARC	<u>3,099</u>
Annual OPEB Cost (Expense)	14,124
Less: Contributions	<u>(1,091)</u>
Increase in Net OPEB Obligation	13,033
Net OPEB Obligation at Beginning of year	<u>55,720</u>
Net OPEB Obligation at End of year	<u>\$ 68,753</u>

Trend Information for OPEB Plan:

<u>Fiscal Year Ended</u>	<u>OPEB Plan Total</u>
<u>December 31, 2014:</u>	
Annual OPEB Cost	\$14,648
% of Annual OPEB Cost Contributed	7%
Net OPEB Obligation	\$44,200
<u>December 31, 2015:</u>	
Annual OPEB Cost	\$11,520
% of Annual OPEB Cost Contributed	0%
Net OPEB Obligation	\$55,720
<u>December 31, 2016:</u>	
Annual OPEB Cost	\$13,033
% of Annual OPEB Cost Contributed	8%
Net OPEB Obligation	\$68,753

WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
 OF CALCASIEU PARISH, LOUISIANA
 Sulphur, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016

Note 11 – Other Postemployment Benefits (OPEB) (Continued)

Funding Status and Funding Process: The following is a Schedule of Funding Progress for the OPEB Plan based on the first three actuarial valuations:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll**	((b-a)/c) UALL as a Percentage of Covered Payroll
01/01/12	\$0	\$15,571,023	\$15,571,023	0.00%	\$31,178,169	50%
01/01/14	\$0	\$23,344,107	\$23,344,107	0.00%	\$37,965,534	62%
01/01/16	\$0	\$30,661,488	\$30,661,488	0.00%	\$40,752,346	75%

** This payroll amount includes not only the Parish payroll but payroll for all of the discretely presented components units that participate in the Parish OPEB Plan.

Note 12 - Subsequent Events

The District evaluated its June 30, 2017 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.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@jderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

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

Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana
Sulphur, 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated October 23, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District 11 of Wards 4 and 7 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 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District 11 of Wards 4 and 7 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 a deficiency in internal control that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana

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 2017-2 to be a material weakness.

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 2017-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District 11 of Wards 4 and 7 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 responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 23, 2017

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses
For the Year Ended June 30, 2017**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2017-01; material weakness in internal control – refer to B. 2017-02.
3. No instances of non-compliance noted.

B. GAGAS Findings:

2017-01 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.

2017-02 Financial Statement Reporting –

Condition: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2017**

C. Summary of Prior Year Findings:

2016-01 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.

2016-02 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 NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana**

**Schedule of Compensation, Benefits and Other
Payments to the President of the Board of Commissioners**

Year Ended June 30, 2017

Agency Head: Ronnie Bowers, Board President

Purpose	Amount
Commissioner Fees	\$1,700
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

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STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

AGREED-UPON PROCEDURES REPORT Independent Accountant's Report On Applying Agreed-Upon Procedures For the Period of July 1, 2016 – June 30, 2017

Board of Commissioners
Waterworks District No. 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

I have performed the procedures enumerated below, which were agreed to by Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana and the Louisiana Legislative Auditor on control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2016 through June 30, 2017. The Waterworks District No. 1's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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 of 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.

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.

Finding: No exceptions.

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). 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.

Finding: Outstanding checks for more than 6 months have not been researched.

Management Response: The board of commissioners will implement a policy of researching outstanding reconciling items that are over 6 months old.

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). 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: 1. Bank deposits are not being made within one day of collections.

2. Reconciliations of collection process are reviewed, but no documentation of review (sign off) indicated on reconciliation.

Management Response: The District will make deposits within one day of collections. Also, will require that review of collection reconciliation be documented.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

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 findings.

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.
16. 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.
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
17. 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.

Findings: Supporting documentation for credit card purchases are not reviewed or approved by someone other than the authorized card holder.

Management Response: Office manager will review and approve credit card purchases by superintendent and superintendent will review and approve credit card purchases of office manager.

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.

Findings: No findings.

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).

Findings: No exceptions.

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.

Findings: No documentation of time card approval.

Managements Response: The District will require actual signature of time card approval.

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 training has not been completed.

Managements Response: The District will require annual ethics training and documentation of compliance for all employees and board members.

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.

Findings: No exceptions.

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.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.

Findings: No exceptions.

Purpose of this report:

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

This report is intended solely for the use of management of Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, 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 Louisiana Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 23, 2017