

SOUTHWEST AVOYELLES WATERWORKS DISTRICT

Bunkie, Louisiana

Financial Statements

For the Year Ended December 31, 2016

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors
Southwest Avoyelles Waterworks District
Bunkie, Louisiana

I have compiled the accompanying financial statements of the business-type activities and the major fund of the Southwest Avoyelles Waterworks District, a component unit of the Avoyelles Parish Police Jury, as of December 31, 2016, and the related statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institution of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited the supplementary information and, accordingly, do not express an opinion or provide any assurances on such supplementary information.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial in an appropriate operational, economic, or historical context.



Paul Dauzat, CPA
December 10, 2017

COMPONENT UNIT FINANCIAL STATEMENTS

SOUTHWEST AVOYELLES WATERWORKS DISTRICT

Bunkie, Louisiana

Business-Type Activities
Statement of Net Position

December 31, 2016

(Unaudited)

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 35,944
Investments	56,529
Accrued Interest Receivable	10
Property Tax Receivable	37,405
Accounts Receivable, Water Sales	22,511
Total Current Assets	<u>152,399</u>
Restricted Assets	
Cash and Cash Equivalents	344,543
Capital Assets	
Nondepreciable Capital Assets	34,053
Capital Assets, Net of Accumulated Depreciation	551,562
Total Capital Assets	<u>585,615</u>
TOTAL ASSETS	<u>1,082,557</u>

LIABILITIES

Current Liabilities	
Accounts Payable	7,504
Current Liabilities (Payable from Restricted Assets) -	
Revenue Bonds	12,000
Customer Deposits	13,340
Accrued Interest Payable	539
Total Current Liabilities (Payable from Restricted Assets)	<u>25,879</u>
Long-Term Liabilities	
Revenue Bonds Payable	<u>218,000</u>
TOTAL LIABILITIES	<u>251,383</u>

CAPITAL

Contributed Capital	
Grants	639,515
Less: Accumulated Amortization	<u>(449,628)</u>
Net Contributed Capital	189,887
Net Position	
Investment in Capital Assets, Net of Debit	367,615
Reserved for Debt Service	315,126
Unreserved	(41,454)
TOTAL NET POSITION	<u>\$ 641,287</u>

See independent accountant's compilation report.

SOUTHWEST AVOYELLES WATERWORKS DISTRICT

Bunkie, Louisiana

Business-Type Activities

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2016

(Unaudited)

OPERATING REVENUES

Charges for Services - Water Sales and Fees \$ 151,290

OPERATING EXPENSES

Cost of Water Sold	937
Rent	3,900
Office	3,382
Telephone and Utilities	17,113
Bad Debts	2,149
Repairs and Maintenance	26,923
Professional Services	4,970
Contract Services	48,300
Director Per Diem	7,375
Insurance	1,994
Depreciation	46,374
Other Operating Costs	<u>2,555</u>
Total Operating Expenses	<u>165,972</u>

Operating Loss (14,682)

NONOPERATING REVENUES (EXPENSES)

Interest Income	272
Property Tax Revenue	38,823
Other Income	54
Interest Expense	<u>(539)</u>
Total Nonoperating Revenues (Expenses)	<u>38,610</u>

NET INCOME 23,928

Add: Depreciation on fixed assets acquired by grants, entitlements,
and shared revenues externally restricted for capital acquisitions
and construction that reduces contributed capital 22,967

Net Position, Beginning 594,392

Net Position, Ending \$ 641,287

See independent accountant's compilation report.

SOUTHWEST AVOUELLES WATERWORKS DISTRICT

Bunkie, Louisiana

Business-Type Activities

Statement of Cash Flows

Year Ended December 31, 2016

(Unaudited)

Cash Flows from Operating Activities

Cash Received from Customers	\$ 153,485
Cash Payments to Suppliers for Goods and Services	(116,462)
Net Cash Provided by Operating Activities	<u>37,023</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Long-Term Debt	230,000
Principal Paid on Notes and Bonds Payable	(12,000)
Interest Paid on Notes and Bonds Payable	(600)
Payment on Construction in Progress	(32,853)
Tax Revenue Collected, Net of Fees	40,214
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>224,761</u>

Cash Flows from Investing Activities

Increase in Investments	(174)
Interest Received on Investments	208
Net Cash Provided by Investing Activities	<u>34</u>

Net Increase in Cash and Cash Equivalents

261,818

Cash and Cash Equivalents, Beginning of Year

118,669

Cash and Cash Equivalents, End of Year

\$ 380,487

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Operating Revenue (Loss)	\$ (14,682)
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Adjustments to Reconcile Operating Income to Net Cash Provided by

Operating Activities	
Depreciation	46,374
Changes in Assets and Liabilities:	
Decrease (Increase) in Accrued Receivable, Water Sales	1,445
Increase (Decrease) in Accounts Payable	3,136
Increase (Decrease) in Customer Deposits	750
Total adjustments	<u>51,705</u>

Net Cash Provided by Operating Activities	<u><u>\$ 37,023</u></u>
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See independent accountant's compilation report.

SOUTHWEST AVOYELLES WATERWORKS DISTRICT
Bunkie, Louisiana

Notes to the Financial Statements

NOTE 1. Summary of Significant Accounting Policies

The Southwest Avoyelles Waterworks District (the "District") was created on March 23, 1973 as a nonprofit corporation as defined in Louisiana Revised Statutes Title 12, Chapter 2. The Corporation operates under a Board of Directors consisting of five (5) members. The following is a summary of certain accounting policies.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments units. Such accounting and reporting procedures also conform to the requirements set forth in the Louisiana Governmental Audit Guide.

A. Basis of Presentation

The accompanying component unit financial statements of the Southwest Avoyelles Waterworks District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

For financial reporting purposes, these component unit financial statements include all funds and activities that are controlled by the District as an independent political subdivision of the State of Louisiana. Although legally separate from the Avoyelles Parish Police Jury, the Avoyelles Parish Police Jury appoints the Board of Directors and has the ability to impose its will on the District, and therefore, is considered to be a component unit of the Avoyelles Parish Police Jury (primary government), the financial reporting entity.

C. Fund Accounting

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses an enterprise fund to account for its proprietary fund operations. An enterprise fund is 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District utilizes the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded in accounts receivable.

E. Fixed Assets and Liabilities

Fixed assets are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	5-8 Years
Buildings	40 Years
Storage Tanks	50 Years
Distribution System	50 Years

The District follows the policy of capitalizing interest as a component of the cost of property, plant and equipment for its own use. For the year ended December 31, 2016 there were no interest charges capitalized on fixed assets acquired or constructed.

F. Investments

Investments, which consist of insured money market accounts and interest-bearing demand deposit accounts, are stated at cost, which approximates market.

G. Restricted Assets

Certain proceeds of the Revenue Bonds and Public Improvement 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. Also, security deposits paid by customers are classified as restricted assets since they are refundable to the customer.

H. Bad Debts

The allowance method is used to recognize bad debts of accounts receivable. The allowance is determined based upon past history and the aging of accounts receivable as of year-end. The allowance for bad debts at December 31, 2016 was \$6,732.

I. Compensated Absences

The District has no set policy for accumulated vacation, sick pay or other employee benefits. Therefore, no accruals for compensated absences have been made in these financial statements.

J. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments, with maturity of three months or less when purchased to be cash equivalents.

NOTE 2. Cash and Investments

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2016, the District had cash and interest-bearing deposits (book balances) totaling \$380,487.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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 owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount of funds on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at December 31, 2016, and the related federal insurance:

Bank Balances	\$ 401,783
Insured by Federal Deposit Insurance Corporation.	<u>\$ 401,783</u>

NOTE 3. Investments

The investments held by the District are comprised of time deposits with a maturity of six months and one year. The carrying amount approximates market. The following is a summary of investment balances at December 31, 2016 and the related federal insurance:

Bank Balances	\$ 56,529
Insured by Federal Deposit Insurance Corporation.	<u>\$ 56,529</u>

NOTE 4. Accounts Receivable

The accounts receivable balance at December 31, 2016 consisted of the following:

Billed			
Current	\$ 12,087	54%	
Arrears	10,212	46%	
Total Billed	<u>22,299</u>	<u>100%</u>	
Unbilled	6,944		
Less Allowance for Doubtful Accounts	(6,732)		
	<u>\$ 22,511</u>		

Unbilled receivables represent the estimated billings for water sales from the last date the meters were read in the year of 2016 (approximately the 15th of December) to the end of the year.

NOTE 5. Property Tax Receivable

The property tax revenue for 2016 and the receivable balance at December 31, 2016 consisted of the following:

Taxable Assessments	\$ 5,792,900
Millage Rate	0.00670
Property Tax	<u>38,812</u>
Collections of Interest and Late Fees	11
Total Tax Revenue	<u>\$ 38,823</u>
Property Tax Receivable	<u>\$ 37,405</u>

The taxes are levied in October of each year and are payable by January 1 of the following year. The Avoyelles Parish Sheriff bills and collects the taxes. The tax rolls are prepared and certified by the Avoyelles Parish Assessor. These revenues are securing the Public Improvement Bonds payable at FHA. The 6.7 tax millage expires in the year 2016.

NOTE 6. Capital Assets

A summary of changes in capital assets is as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
Non-Depreciable Assets				
Land	\$ 1,200	\$ -	\$ -	\$ 1,200
Construction in Progress	-	32,853	-	32,853
Total Non-Depreciable Assets	<u>\$ 1,200</u>	<u>\$ 32,853</u>	<u>\$ -</u>	<u>\$ 34,053</u>

	Beginning Balances	Additions	Disposals	Ending Balances
Depreciable Assets				
Equipment	\$ 30,908	\$ -	\$ -	\$ 30,908
Distribution System	1,318,083	-	-	1,318,083
Less Accumulated Depreciation	(751,055)	(46,374)	-	(797,429)
Net Depreciable Assets	<u>\$ 597,936</u>	<u>\$ (46,374)</u>	<u>\$ -</u>	<u>\$ 551,562</u>

Depreciation expense for 2016 was \$46,374.

NOTE 7. Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2016:

Long-Term Obligations Payable, Beginning of the Year	\$ 12,000
Additions	230,000
Deductions	(12,000)
Long-Term Obligations Payable, End of the Year	<u>\$ 230,000</u>

Notes and bonds payable (current and long-term portions) are financed with the Farmers Home Administration (FHA).

Notes and bonds payable at December 31, 2016 consist of the following individual liability:

Revenue Bonds:

\$173,000 2016 bonds, bearing interest at 4.5% per annum, final maturity on December 31, 2031	\$ 173,000
\$57,000 2016 bonds, bearing interest at 4.5% per annum, final maturity on December 2026.	<u>57,000</u>
Total Bonds Outstanding at December 31, 2016	230,000
Less Amount Due in the Next Year	(12,000)
Long-Term Portion of Bonds Payable at December 31, 2016	<u>\$ 218,000</u>

Principal and interest payments on the Revenue Bonds, Public Improvement Bonds are due on January 6th of each year.

The Revenue Bonds and the installment note are secured by the revenue derived from operation of the system. The Public Improvement Bonds are secured by the annual levy of ad valorem taxes on all taxable property within the corporate limits of the Waterworks District.

The annual requirements to amortize all notes and bonds outstanding as of December 31, 2016 are as follows:

<u>Period Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,000	\$ 10,350	\$ 22,350
2018	12,000	9,810	21,810
2019	13,000	9,270	22,270
2020	14,000	8,685	22,685
2021	14,000	8,055	22,055
2022-2026	74,000	30,690	104,690
2027-2031	91,000	12,645	103,645
Total	<u>\$ 230,000</u>	<u>\$ 89,505</u>	<u>\$ 319,505</u>

The ordinance authorizing issuance of the revenue bonds created the Water Revenue and Interest Fund and a Water Depreciation and Contingency Fund. The gross revenues of the Waterworks System, after deduction of reasonable expenses of operations and maintenance are pledged to these funds as follows:

Water Revenue and Interest Fund

A transfer from the Water Revenue Fund on or before the 20th day of each month of each year is a sum equal to one-twelfth (1/12) of the total amount of principal and interest falling due in the ensuing year. The transfers shall continue until the fund has 110% of the largest amount of principal and interest maturing in any future fiscal year. At December 31, 2016 the Water Revenue and Interest Sinking Fund had a balance of \$32,659 which exceeds the 110% requirement.

Water Depreciation and Contingency Fund

A transfer from the Water Revenue Fund on or before the 20th day of each month a sum equal to 5% of the net revenues of the System until a balance of \$25,000 is accumulated in the fund. This fund is to care for extensions, additions, improvements, renewals and replacements necessary to operate the System properly.

All deposits were made to these funds. Activity in these funds for 2016 follows:

	Revenue and Interest Fund	Depreciation Fund
Balances at December 31, 2015	\$ 34,040	\$ 16,619
Transfers In	11,205	600
Interest Earned	14	6
Amounts Due To/From Other Accounts	-	2,375
Payments on Bonds and Notes	(12,600)	-
Balances at December 31, 2016	<u>\$ 32,659</u>	<u>\$ 19,600</u>

NOTE 8. Retirement Commitments

All work is done by subcontractors, therefore, the District has no responsibility to provide retirement benefits.

NOTE 9. Contributed Capital

Amounts contributed to the enterprise fund for acquisition or construction of fixed assets are recognized as Contributed Capital. Contributed Capital generated through grants externally restricted for capital acquisitions is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such grants. This depreciation is closed to the appropriate contributed capital account and is reflected as an adjustment to net income on the Statement of Revenues, Expenses, and Changes in Net Position.

Contributed Capital for the Water District consist of the following:

Federal Grants	<u>\$ 639,515</u>
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The Contributed Capital is externally restricted for capital acquisitions or construction. Depreciation on the fixed assets acquired by Contributed Capital is treated as a reduction of Contributed Capital and a corresponding increase in net position. In the current year, \$22,967 of Contributed Capital was amortized.

NOTE 10. Board Member's Compensation

The Board of Directors compensation for the year ending December 31, 2016 is as follows:

<u>Board Members and Compensation</u>		<u>Per Diem</u>
Byrns Eves	President	\$ 1,500
Fletcher Bubenezer	Board Membe	1,500
Phyllis Tubre	Board Membe	1,500
Lem Thomas	Board Membe	875
Donnie Newton	Board Member	1,500
Theresa Edison	Board Member	500
Total Compensation		<u>\$ 7,375</u>

NOTE 11. Customers and Rates

The District has 325 residential and 5 commercial customers at December 31, 2016.

The District's residential rates are as follows:

Minimum charge of \$17.75 for the first 2,000 gallons of water used, with an additional charge of \$3.20 per each additional 1,000 gallons used.

The District's commercial rates are as follows:

Minimum charge of \$25.75 for the first 2,000 gallons of water used, with an additional charge of \$3.20 per each additional 1,000 gallons used.

NOTE 12. Operating Lease

The District is leasing office space on a month-to-month basis for \$325 per month. Lease expense during the year ended December 31, 2016 was \$3,900.

NOTE 13. Construction Commitments/Subsequent Events

In December the District accepted a bid for the Luke waterline replacement project in the amount of \$22,500. The District also approved the purchase of an Aerator System. The Aerator System is expected to cost approximately \$250,000 and is to be partially financed by the issuance of the \$230,000 of revenue bonds. At December 31, 2016 the District had expended \$32,853 toward the two projects and this amount is reflected in the Capital Asset section of the Statement of Net Assets as Construction in Progress.

SUPPLEMENTARY INFORMATION

SOUTHWEST AVOYELLES WATERWORKS DISTRICT
Bunkie, Louisiana

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer**
For the Year Ended December 31, 2016

Name of Agency Head: Byrnes Eves, President

Purpose	
Salary	\$ 1,500
Benefits - Insurance	-
Benefits - Retirement	-
Car Allowance	-
Vehicle Provided by Agency	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Unvouchered Expenses	-
Special Meals	-
Total of Compensation, Benefits and Other Payments	<u>\$ 1,500</u>

SOUTHWEST AVOYELLES WATERWORKS DISTRICT
Bunkie, Louisiana

Schedule of Current Year Finding for Year Ended December 31, 2016

- Finding 2016 -** Failure to Complete Financial Report within six months after close of the year.
- Criteria:** Louisiana RS 24:513 requires completion of the financial report be completed and filed with the Legislative Auditor's office within six months after the close of the District's fiscal year.
- Condition:** Not in compliance with La. RS 24:513.
- Cause:** Accounting records are not available within six months of District's year end.
- Effect:** Placing the District in non-compliance status until report is submitted.
- Recommendation** The District should make sure that the accounting records are available as soon as possible after the close of the District's year end.
- Management's Response:** We concur in the finding and will strive to comply with the above recommendation.

REPEAT FINDING

SOUTHWEST AVOYELLES WATERWORKS DISTRICT

Bunkie, Louisiana

Schedule of Prior Year Findings for Year Ended December 31, 2016

Finding 2014 and 2015 - Timely Completion of the Financial Report

Louisiana Rev. Statue 24:513 requires the District to furnish the completed Financial Report to the Legislative Auditor's Office within six months after the close of the District's year end.