

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Financial Statements

For the Years Ended August 31, 2017 and 2016

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2017 and 2016

TABLE OF CONTENTS

	Page
Independent Auditors' Report -----	1
 <u>REQUIRED SUPPLEMENTAL INFORMATION (PART A)</u> 	
Management's Discussion and Analysis (Unaudited) -----	5
 <u>BASIC FINANCIAL STATEMENTS</u> 	
Statements of Net Position -----	12
Statements of Revenues, Expenses and Changes in Net Position -----	14
Statements of Cash Flows -----	16
Notes to Financial Statements -----	18
 <u>REQUIRED SUPPLEMENTAL INFORMATION (PART B)</u> 	
Schedule 1 - Other Post Employment Benefits – Schedule of Funding Progress (Unaudited) -----	43
Schedule 2 - Schedule of Employer’s Proportionate Share of Net Pension Liability (Unaudited) -----	44
Schedule 3 – Schedule of Employer Contributions (Unaudited) -----	45
 <u>OTHER SUPPLEMENTAL INFORMATION</u> 	
Schedule 4 - Schedule of Changes in Restricted Assets -----	47
Schedule 5 - Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer -----	48
Schedule 6 - Schedule of Insurance Coverage (Unaudited) -----	49

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
 (A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
 FINANCIAL STATEMENTS
 FOR THE YEARS ENDED AUGUST 31, 2017 and 2016**

TABLE OF CONTENTS

	Page
<u>REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	50
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance -----	52
Schedule of Expenditures of Federal Awards-----	54
Notes to the Schedule of Expenditures of Federal Awards -----	55
Schedule of Findings and Questioned Costs -----	56
Summary Status of Prior Year Findings -----	62

STATEWIDE AGREED UPON PROCEDURES

Independent Accountants' Report on Applying Statewide Agreed Upon Procedures

INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 we 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 District'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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of August 31, 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.

Emphasis of a Matter

At its July 5, 2016 meeting, the Ouachita Parish Police Jury passed ordinance number 911 altering the boundaries of the District to encompass the area constituting West Ouachita Sewerage District No. 16 (District 16) and abolishing said West Ouachita Sewerage District No. 16. On August 4, 2016, the District officially accepted the assets and operations of District No. 16. See Note 15 to the financial statements for further details regarding the merger.

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 5 through 10 and the Other Post Employment Benefits – Schedule of Funding Progress on page 43; the Schedule of Employer's Proportionate Share of Net Pension Liability on page 44; and the Schedule of Employer Contributions on page 45 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial

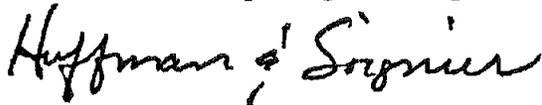
information listed as Other Supplemental Information, Schedules 4, 5, and 6 in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Changes in Restricted Assets – Schedule 4, Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer – Schedule 5, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information referred to in the first sentence of this paragraph is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Insurance Coverage – Schedule 6 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2018 on our consideration of the District's internal control over financial reporting and on our 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 our 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 the District's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)
April 18, 2018

REQUIRED SUPPLEMENTAL INFORMATION (PART A)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A Component Unit of the Ouachita Parish Police Jury)
Management's Discussion and Analysis
For the Years Ended August 31, 2017 and 2016
(Unaudited)

As management of West Ouachita Sewerage District No. 5 (A Component Unit of the Ouachita Parish Police Jury) (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's activities for the years ended August 31, 2017 and 2016. Please read it in conjunction with the District's financial statements.

Government Merger

At its July 5, 2016 meeting, the Ouachita Parish Police Jury passed ordinance number 9111 altering the boundaries of the District to encompass the area constituting West Ouachita Sewerage District No. 16 (District 16) and abolishing said West Ouachita Sewerage District No. 16. On August 4, 2016, the District officially accepted the assets and operations of District No. 16. See Note 15 to the financial statements for further details regarding the merger.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using the Governmental Accounting Standards Board's (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Position. This statement measures the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its customer charges and other revenue sources. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operating, noncapital financing, capital financing, and investing activities and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

A summary of the District's Statements of Net Position is presented as follows:

Table 1

**Condensed Statements of Net Assets
as of August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Assets:			
Current and other assets	\$ 6,053,389	\$ 5,400,649	12.09%
Restricted assets	578,640	510,124	13.43%
Capital assets, net of depreciation	<u>14,082,743</u>	<u>11,340,122</u>	<u>24.19%</u>
Total assets	<u>20,714,772</u>	<u>17,250,895</u>	<u>20.08%</u>
Deferred outflows of resources	<u>168,266</u>	<u>206,500</u>	<u>-18.52%</u>
Liabilities:			
Current liabilities	958,163	462,186	107.31%
Current liabilities payable from restricted assets	292,191	286,131	2.12%
Noncurrent liabilities	<u>2,269,569</u>	<u>2,359,164</u>	<u>-3.80%</u>
Total liabilities	<u>3,519,923</u>	<u>3,107,481</u>	<u>13.27%</u>
Deferred inflows of resources	<u>38,605</u>	<u>35,077</u>	<u>10.06%</u>
Net Position:			
Net investment in capital assets	12,131,243	9,268,122	30.89%
Restricted net position - debt service	383,857	314,993	21.86%
Unrestricted net position	<u>4,809,410</u>	<u>4,731,722</u>	<u>1.64%</u>
Total net position	<u>\$ 17,324,510</u>	<u>\$ 14,314,837</u>	<u>21.02%</u>

Investment in capital assets represents the District's long-term investment in capital assets, net of accumulated depreciation, and is not available for current operations.

The total net position of the District at August 31, 2017 was \$17,324,510. Net position can be separated into three categories: Net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets of \$12,131,243 consists of capital assets at original cost of \$31,414,528 less depreciation of \$17,331,785 and related debt of \$1,951,500. Accumulated depreciation of \$17,331,785 is the aggregate depreciation expense since acquisition. Depreciation expense is recorded on the original cost of the asset expensed over the estimated useful life of the asset.

A summary of changes in net position is presented below:

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Operating income	\$ 5,524,117	\$ 4,188,861	31.88%
Operating expenses	<u>4,464,532</u>	<u>3,783,854</u>	<u>17.99%</u>
Operating income (loss)	1,059,585	405,007	161.62%
Non-operating income and expense	1,910,188	77,888	2352.48%
Capital contributions - developers	<u>39,900</u>	<u>111,952</u>	<u>-64.36%</u>
Increase (decrease) in net position	<u>\$ 3,009,673</u>	<u>\$ 594,847</u>	<u>405.96%</u>

In fiscal year 2017, sewerage fees increased significantly due to a rate increase implemented during the year and expansion of the district. In fiscal year 2016, sewerage fees increased moderately due primarily to revenues related to the sewer system received as a result of the fiscal 2016 merger with West Ouachita Sewerage District No. 16 (see Note 15 for details on the merger).

The District's expenses increased in 2017, primarily due to additional treatment expenses associated with the recent expansion. In 2016, the District's expenses increased sharply due primarily to increases in maintenance and repairs and professional fees incurred for various maintenance needed within the District. Additionally, expenses increased during fiscal 2016 due to increases in depreciation expense and expenses associated with the sewer system received as a result of the fiscal 2016 merger with West Ouachita Sewerage District No. 16 (see Note 15 for details on the merger).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2017 and 2016, the District had \$31,414,528 and \$27,910,782, respectively, invested in capital assets including buildings and improvements, furniture and fixtures, equipment, vehicles, infrastructure, and land (See table below).

Table 3
West Ouachita Sewer District No. 5's Capital Assets

	August 31,	
	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 410,650	\$ 410,650
Furniture and fixtures	10,858	10,858
Equipment	573,221	533,781
Vehicles	307,210	291,353
Infrastructure	26,678,688	26,035,457
Construction in progress	2,999,023	193,805
Land	434,878	434,878
Total	<u>31,414,528</u>	<u>27,910,782</u>
Accumulated depreciation	<u>(17,331,785)</u>	<u>(16,570,660)</u>
Net capital assets	<u>\$ 14,082,743</u>	<u>\$ 11,340,122</u>

As a result of the merger with West Ouachita Sewerage District No. 16 (see Note 4), capital assets increased by \$1,008,707, and accumulated depreciation increased by \$467,265 as of September 1, 2015.

Major additions to capital assets for fiscal year 2017 consisted primarily of the relocation of sewer lines, mains, and manholes associated with the Arkansas Road Widening Project; expansion of the system into the Chloe/Greenfield, Moss Park, Mallard Estates, and other subdivisions; and major renovation of the Kiroli Lift Station.

Debt

As of August 31, 2017 and 2016, the District's outstanding long-term debt of \$2,391,569 and \$2,479,664, respectively, consisted of the following:

Table 4
West Ouachita Sewer District No. 5's Outstanding Debt
As of August 31, 2017

	<u>2017</u>	<u>2016</u>
Bonds Payable	\$ 1,472,000	\$ 1,563,000
Due to other governments	479,500	509,000
OPEB	299,969	245,370
Pensions	140,100	162,294
	<u>\$ 2,391,569</u>	<u>\$ 2,479,664</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Commissioners increased the monthly sewer rates for residential and commercial customers at its November 14, 2016 Board meeting. The new rates were implemented effective February 1, 2017. Residential rates were increased from \$30.00 per month to \$45.00 per month per residential unit and commercial rates were increased from \$3.00 per 1,000 gallons of water consumed to \$4.50 per 1,000 gallons of water consumed plus a minimum monthly commercial connection fee of \$45.00 per month.

The District contracts with Greater Ouachita Water Company (GOWC) to bill and collect monthly sewer fees. The District encountered a significant problem when GOWC's agent failed to properly read GOWC water meters and collect monthly water and sewer fees. The Louisiana Public Service Commission, which regulates private utility companies, allowed water customers to not pay water bills until the meter reading problem was resolved. Since the monthly sewer bills were included on monthly water bills, the District did not collect the proper amount of sewer use fees for several months. As a result, the District ended fiscal year 2017 with approximately \$614,000 in "Aged Accounts Receivable." The chances of collecting this amount of "Aged Accounts Receivable" is considered slim and would have been disastrous if the District had not increased sewer fees in February 2017.

The increase in sewer fees provided the District with additional revenues to pursue the elimination of existing package sewer treatment plants at four locations during fiscal year 2017 and early 2018. The District incurred an expense of approximately \$1,090,000 to eliminate the existing package sewer treatment plants serving Mallard Estates, Unit No. 1 and No. 2; Greenfields Residential Subdivision, Unit No. 1 and No. 2; Acadian Park Residential Subdivision, Units No. 1 and No. 2; and Diamond Mobile Home Park.

The District entered into a contract in December 2016 for the relocation and adjustment of sewer collection lines and force mains along Arkansas Road (LA 616) which is being widened and reconstructed by the Louisiana Department of Transportation and Development. The total estimated construction cost of this project is \$1,800,000 of which the District expects to receive reimbursement of approximately \$1,675,000.

The District is currently having a new sewer pump station and force main constructed in West Park Residential Subdivision in order to deliver the sewer flows from West Park Residential Subdivision to the District's sewer collection system. The cost of this project which will be completed in the 2018 fiscal year is approximately \$280,000. This project will allow the District to eliminate an oxidation lagoon system that currently serves the residents of this subdivision.

In addition to the West Park Residential Subdivision sewer project, the District anticipates entering into several other sewerage projects in fiscal year 2018. These projects are as follows:

- 1.) Construct a new 24" gravity sewer line from Lift Station "P" along Steep Bayou to I-20 (estimated cost \$2,500,000).
- 2.) Replace Lift Station "P" with a larger sewer pump station and an 18" diameter force main

from Steep Bayou and New Natchitoches Road to intersection of Washington Street and Edwards Road (estimated cost \$1,850,000).

- 3.) Replace Lift Station “S” with a larger pump station and an 18” diameter force main from the intersection of Washington Street and Edwards Road to WM/WOSD No. 5 Regional Wastewater Treatment Plant (estimated cost \$2,250,000).
- 4.) Replace Lift Station “N” Force Main from KCS Railroad to New Natchitoches Road (estimated cost \$700,000).

Subtotal Estimated Construction Cost \$7,300,000

In addition to these four projects, the District plans to pursue the following two projects as funds become available:

- 1.) Replace Lift Station “Y” Force Main from Lift Station “Y” at Linwell Street to WM/WOSD No. 5 Regional Wastewater Treatment Facility (estimated cost \$2,500,000).
- 2.) WOSD No. 5 Expansion – Phase I – Rebuild Lift Station “I” and pipe burst and enlarge gravity collection lines from I-20 to Pleasant Valley Subdivision (estimated cost \$2,000,000).

Subtotal Estimated Construction Cost \$4,500,000

In order to finance these needed projects, the District plans to sell sewer revenue bonds to the Louisiana Department of Environmental Quality (LDEQ) in the amount of \$7,710,750 payable over 20 years at an interest rate of 0.95% per annum. The remaining share of cost of constructing these projects including the cost of Lift Station “N” Force Main Project and the Rebuilding of Lift Station I and related pipe bursting will be paid by the District or through grants and/or loans the District can secure.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact Ricky McMullen, District Manager of the West Ouachita Sewerage District No. 5, 327 Wallace Road, West Monroe, Louisiana.

BASIC FINANCIAL STATEMENTS

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF NET POSITION

	August 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,720,935	\$ 4,455,010
Accounts receivable - customers (Net of allowance for bad debts of \$614,537 & \$81,626 for 2017 and 2016, respectively)	1,090,695	846,591
Due from other governments	1,147,227	-
Inventory	86,460	92,688
Prepaid insurance	8,072	6,360
Total current assets	6,053,389	5,400,649
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents - customer deposits	188,742	187,375
Cash and cash equivalents - debt service (Note 5)	389,898	322,749
Total restricted assets	578,640	510,124
Capital assets (Note 4):		
Buildings and improvements	410,650	410,650
Furniture and fixtures	10,858	10,858
Equipment	573,221	533,781
Vehicles	307,210	291,353
Lines, mains and manholes	18,838,790	18,296,849
Lift station - pumps	1,980,675	1,927,961
Lift station - structures	2,401,370	2,352,794
Treatment plant	2,264,263	2,264,263
Treatment plant - Sparta water reuse project	1,104,280	1,104,280
Treatment plants - received from WOSD #16	89,310	89,310
Total	27,980,627	27,282,099
Less: Accumulated depreciation	(17,331,785)	(16,570,660)
Net depreciable assets	10,648,842	10,711,439
Construction in progress	2,999,023	193,805
Land	434,878	434,878
Total capital assets	14,082,743	11,340,122
Total noncurrent assets	14,661,383	11,850,246
Total assets	20,714,772	17,250,895
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Pensions	168,266	206,500

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

	August 31,	
	2017	2016
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Accounts and retainage payable	\$ 918,243	\$ 423,469
Accrued payroll and benefits	9,920	9,217
Due to other governments - current (Note 5)	30,000	29,500
Total payable from current assets	<u>958,163</u>	<u>462,186</u>
Payable from restricted assets:		
Customer deposits	194,150	187,375
Bonds payable / current (Note 5)	92,000	91,000
Accrued interest payable	6,041	7,756
Total payable from restricted assets	<u>292,191</u>	<u>286,131</u>
Total current liabilities	<u>1,250,354</u>	<u>748,317</u>
Noncurrent liabilities:		
Bonds payable (Note 5)	1,380,000	1,472,000
Due to other governments - long term (Note 5)	449,500	479,500
Other post employment benefits payable	299,969	245,370
Net pension liability	140,100	162,294
Total noncurrent liabilities	<u>2,269,569</u>	<u>2,359,164</u>
Total liabilities	<u>3,519,923</u>	<u>3,107,481</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	<u>38,605</u>	<u>35,077</u>
NET POSITION		
Net investment in capital assets	12,131,243	9,268,122
Restricted net position - debt service	383,857	314,993
Unrestricted net position	<u>4,809,410</u>	<u>4,731,722</u>
Total net position	<u>\$ 17,324,510</u>	<u>\$ 14,314,837</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED

	August 31,	
	2017	2016
OPERATING REVENUES		
Sewerage fees	\$ 5,440,125	\$ 4,156,635
Inspection fees	49,150	22,800
New connection fees	3,600	4,400
Miscellaneous	31,242	5,026
Total operating revenues	5,524,117	4,188,861
OPERATING EXPENSES		
Advertising	1,297	118
Bad debt expense	532,911	3,430
Collection expense	96,621	101,908
Commissioners' fees	2,100	2,100
Depreciation and Amortization (Note 4)	822,276	823,026
Dues and subscriptions	1,354	648
Gas and oil	18,575	26,355
Insurance	157,969	139,941
Maintenance and repairs	387,582	477,664
Miscellaneous	10,200	2,906
Office expense	19,836	12,217
Other post employment benefits	54,599	54,961
Payroll taxes	7,641	4,917
Pension and retirement expense	87,632	97,838
Postage	1,599	1,024
Professional fees	217,189	195,248
Salaries and wages	401,957	385,859
Telephone	10,917	9,325
Travel	-	2,338
Treatment plant operations	1,460,993	1,271,947
Utilities	171,284	170,084
Total operating expenses	4,464,532	3,783,854
Operating income (loss)	1,059,585	405,007

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (CONCLUDED)
FOR THE YEARS ENDED

	August 31,	
	2017	2016
NONOPERATING REVENUES (EXPENSES)		
Capital grants - federal	1,613,762	-
Capital grants - state	287,285	93,935
Interest earned	4,644	4,496
Franchise fees	24,365	24,403
Loss on disposition of assets	-	(17,016)
Interest expense	(19,868)	(27,930)
Total Non-operating income	1,910,188	77,888
Income (loss) before contributions	2,969,773	482,895
Capital contributions - developers	39,900	111,952
Changes in net position	3,009,673	594,847
Net position at beginning of year, as originally stated	14,314,837	13,184,731
Adjustment due to merger (Note 15)	-	535,259
Net position at beginning of year, post merger	14,314,837	13,719,990
Net position at end of year	\$ 17,324,510	\$ 14,314,837

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	August 31,	
	2017	2016
Cash flows from operating activities		
Receipts from customers	\$ 4,722,635	\$ 4,143,850
Other revenue	31,242	5,026
Payment to suppliers	(2,056,126)	(2,509,090)
Payment for employee services	(479,059)	(447,927)
Net cash provided by operating activities	2,218,692	1,191,859
Cash flows from noncapital financing activities		
Franchise fee	24,365	24,403
Net cash provided by noncapital financing activities	24,365	24,403
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,564,898)	(411,724)
Cash received from capital grant	753,820	93,935
Capital contributions from developers	39,900	-
Principal paid on bonds	(120,500)	(119,500)
Interest paid on bonds	(21,582)	(31,785)
Net cash used by capital and related financing activities	(2,913,260)	(469,074)
Cash flows from investing activities		
Interest received	4,644	4,496
Net cash provided by investing activities	4,644	4,496
Net Increase (Decrease) in Cash and Cash Equivalents	(665,559)	751,684
Cash and Cash Equivalents at Beginning of Year	4,965,134	4,213,450
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,299,575	\$ 4,965,134

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED

	August 31,	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,059,585	\$ 405,007
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	822,276	823,026
Bad debts	532,911	3,430
Accounts receivable	(777,015)	(51,853)
Inventories	6,228	(26,724)
Prepaid insurance	(1,712)	2,610
Accounts payable	494,774	(67,096)
Accrued payroll and benefits	703	(5,749)
Other post employment benefits	54,599	54,961
Pension liability adjustments	19,568	48,536
Merger adjustments	-	(6,156)
Customer deposits	6,775	11,867
Net cash provided by operating activities	\$ 2,218,692	\$ 1,191,859
Cash and cash equivalents on the balance sheet as		
Current assets		
Cash and cash equivalents	\$ 3,720,935	\$ 4,455,010
Restricted assets		
Cash and cash equivalents	578,640	510,124
TOTAL CASH AND CASH EQUIVALENTS	\$ 4,299,575	\$ 4,965,134
Supplemental Disclosure of Noncash Operating Activities		
Other post-employment benefits	\$ 54,599	\$ 54,961
Supplemental Disclosure of Noncash Capital Investing Activities		
Contribution of sewerage collection system	\$ -	\$ 111,952

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies

A. History

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury, through adoption of Ordinance No. 7386, and therefore it is a component unit of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District, all of which are appointed by the Police Jury.

B. Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*, establishes criteria for determining which component units of governments should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners of the District and has the ability to impose its will upon the District, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic 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 that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Basis of Accounting

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net position, a statement of activities, and a statement of cash flows. It also requires the classification of net position into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This component of net position consists of the net position on which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of the net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District’s financial statements are prepared in accordance with accounting principles accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The financial statements of the District are a *Business-Type Activity* and are financed in whole or in part by fees charged to external parties for goods and services.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

When both restricted and unrestricted resources are available, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. The District also recognizes as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

1. Residential, multi-housing, and multi-unit services are charged \$45 per month.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Commercial service was charged \$4.50 per 1,000 gallons of water per month (metered water usage - \$45 minimum bill)
3. Institutional billing is based on monthly water use at \$45 per 8,000 gallons used.
4. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

The District provided services to 9,137 residential customers and 460 institutional and industrial customers at August 31, 2017.

D. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of receivables that are expected to be unrecoverable. Losses are charged against the allowance when management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2017 and 2016, the allowance for doubtful accounts was \$614,537 and \$81,626, respectively.

The District estimates their unbilled revenues to reflect the 8 billing cycles that are spread throughout the month. As such, 50% of the subsequent month's billings are recognized as revenues for the previous month.

E. Inventory

Inventory consists primarily of pump motors and is valued at estimated recoverable cost as determined by specific identification method. Other materials and supplies needed for maintenance and operations are included in inventory and are valued at lower of cost or market using first in, first out, basis.

F. Property and Equipment

Upon completion of new subdivisions, developers donate their systems to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

The District considers assets with an individual cost of \$2,000 or more and an estimated useful life of one year or more a capital asset. It should be noted that management made the decision to increase the threshold for the capitalization of assets from \$500 to \$2,000 during fiscal year 2016. The net effect of this change was immaterial in the aggregate, and a restatement of beginning net position is not considered necessary. Property and equipment are recorded at their historical cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Lift Station Structures	40 Years
Gravity Lines, Force Mains, and Manholes	40 Years
Equipment	3-20 Years
Lift Station Pumps	10 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

G. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Compensated Absences

The District's policy for paid vacation, which is non-cumulative, is as follows:

Employment 1 – 3 years	1 week per year
4 – 9 years	2 weeks per year
10 – 19 years	3 weeks per year
After 20 years	4 weeks per year

Employees accrue sick leave as follows:

Employment less than 6 months	0 days per year
6 months – 1 year	4 days per year
1 – 3 years	8 days per year
After 3 years	12 days per year

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. Employees are compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be reasonably estimated.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Minor reclassifications have been made to prior year financial statements to make them comparable to the current year's presentation.

K. Government Merger

At its July 5, 2016 meeting, the Ouachita Parish Police Jury passed an ordinance altering the boundaries of the District to encompass the area constituting West Ouachita Sewerage District No. 16 and abolishing said West Ouachita Sewerage District No. 16. On August 4, 2016, the District officially received the assets and operations of District No. 16 and was required to account for such as a governmental merger for the year ended August 31, 2016. See Note 15 for a condensed combined breakdown of the District's and District No. 16's Statement of Net Position as of August 31, 2016.

Note 2 - Cash and Investments

Under state law, the District may invest funds in demand deposits, interest bearing demand deposits, or in time deposits with state banks organized under Louisiana law or any other state and under the laws of the United States.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

At August 31, 2017, the District has cash and cash equivalents totaling \$4,299,575 as follows:

Demand deposits	\$ 4,299,480
Petty cash	95
Total	<u>\$ 4,299,575</u>

Custodial credit risk - deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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 pledged securities plus the federal deposit insurance must at all times equal the amount on deposits with the fiscal agent. These securities are held in the name of the pledging fiscal agent in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents at August 31, 2017 are secured as follows:

Bank balances	<u>\$ 4,349,031</u>
Federal deposit insurance	\$ 250,000
Pledged securities	<u>4,943,431</u>
Total	<u>\$ 5,193,431</u>

Note 3 - Accounts Receivable and Due From Other Governments

Accounts receivable consists of the following for the years ended:

	August 31,	
	2017	2016
Receivables billed to customers	\$ 1,469,661	\$ 773,869
Unbilled revenues	<u>235,571</u>	<u>154,348</u>
Gross accounts receivable	1,705,232	928,217
Less: allowance for uncollectibles	<u>(614,537)</u>	<u>(81,626)</u>
Net total receivables	<u>\$ 1,090,695</u>	<u>\$ 846,591</u>

At December 31, 2017, the entire balance of \$1,147,227 listed on the statement of net position as due from other governments is due from the Louisiana Department of Transportation and Development.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 9/1/2016	Additions	Deletions/ Transfers	Balance 8/31/2017
Nondepreciable assets:				
Construction In Progress	\$ 193,805	\$ 3,349,059	\$ (543,841)	\$ 2,999,023
Land	434,878	-	-	434,878
Total Nondepreciable Assets	<u>628,683</u>	<u>3,349,059</u>	<u>(543,841)</u>	<u>3,433,901</u>
Depreciable Assets:				
Buildings and Improvements	410,650	-	-	410,650
Furniture and Fixtures	10,858	-	-	10,858
Equipment	533,781	61,107	(21,667)	573,221
Vehicles	291,353	55,342	(39,485)	307,210
Lines, Mains and Manholes	18,296,849	541,941	-	18,838,790
Lift Station Pumps	1,927,961	52,714	-	1,980,675
Lift Station Structures	2,352,794	48,576	-	2,401,370
Treatment Plant	2,264,263	-	-	2,264,263
Treatment Plant - Sparta	1,104,280	-	-	1,104,280
Treatment Plants - Merger	89,310	-	-	89,310
Total Depreciable Assets	<u>27,282,099</u>	<u>759,680</u>	<u>(61,152)</u>	<u>27,980,627</u>
Less Accumulated Depreciation	<u>(16,570,660)</u>	<u>(822,276)</u>	<u>61,151</u>	<u>(17,331,785)</u>
Net Capital Assets	<u>\$ 11,340,122</u>	<u>\$ 3,286,463</u>	<u>\$ (543,842)</u>	<u>\$ 14,082,743</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

	Balance 9/1/2015 (Adjusted)	Additions	Deletions/ Transfers	Balance 8/31/2016
Nondepreciable assets:				
Construction In Progress	\$ 4,790	\$ 189,015	\$ -	\$ 193,805
Land	434,878	-	-	434,878
Total Nondepreciable Assets	439,668	189,015	-	628,683
Depreciable Assets:				
Buildings and Improvements	412,162	-	(1,512)	410,650
Furniture and Fixtures	22,358	-	(11,500)	10,858
Equipment	535,845	18,745	(20,809)	533,781
Vehicles	245,161	46,192	-	291,353
Lines, Mains and Manholes	18,047,233	262,490	(12,874)	18,296,849
Lift Station Pumps	1,966,970	7,167	(46,176)	1,927,961
Lift Station Structures	2,352,794	-	-	2,352,794
Treatment Plant	2,264,263	-	-	2,264,263
Treatment Plant - Sparta	1,104,280	-	-	1,104,280
Treatment Plants - Merger	89,310	-	-	89,310
Total Depreciable Assets	27,040,376	334,594	(92,871)	27,282,099
Less Accumulated Depreciation	(15,823,463)	(823,026)	75,829	(16,570,660)
Net Capital Assets	\$ 11,656,581	\$ (299,417)	\$ (17,042)	\$ 11,340,122

As stated in Note 1, the District merged with West Ouachita District No. 16 (WOSD #16) during fiscal year 2016, thereby taking on the accounting and reporting responsibility for all of WOSD #16's capital assets as of September 1, 2015. Beginning balances for capital assets and related accumulated depreciation as of September 1, 2015, have been adjusted to reflect this event. As a result of the merger, capital assets increased by \$1,008,707, and accumulated depreciation increased by \$467,266 as of September 1, 2015.

For the year ended August 31, 2016, the District increased its capitalization policy from \$500 to \$2,000. As such, capital assets and related accumulated depreciation totaling \$45,634 and \$28,618, respectively were removed from the District's books. This resulted in a current year loss on disposition of assets in the amount of \$17,016.

Depreciation of \$822,276 and \$823,026 was expensed for 2017 and 2016, respectively.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 5 - Long-Term Obligations

The following is a summary of long-term obligation transactions for the years ended August 31, 2017 and 2016:

Long-term Obligations	Balance August 31, 2016	Additions	Deductions	Balance August 31, 2017	Amounts Due Within One Year
Bonds payable	\$ 1,563,000	\$ -	(\$ 91,000)	\$ 1,472,000	\$ 92,000
Due to other governments (see Note 7)	509,000	-	(29,500)	479,500	30,000
OPEB	245,370	54,599	-	299,969	-
Pensions	162,294	35,454	(57,648)	140,100	-
Total	<u>\$ 2,479,664</u>	<u>\$ 90,053</u>	<u>(\$ 178,148)</u>	<u>\$ 2,391,569</u>	<u>\$ 122,000</u>

Long-term Obligations	Balance August 31, 2015	Additions	Deductions	Balance August 31, 2016	Amounts Due Within One Year
Bonds payable	\$ 1,653,000	\$ -	(\$ 90,000)	\$ 1,563,000	\$ 91,000
Due to other governments (see Note 7)	538,500	-	(29,500)	509,000	29,500
OPEB	190,409	54,961	-	245,370	-
Pensions	16,862	173,539	(28,107)	162,294	-
Total	<u>\$ 2,398,771</u>	<u>\$ 228,500</u>	<u>(\$ 147,607)</u>	<u>\$ 2,479,664</u>	<u>\$ 120,500</u>

Bonds Payable

In November 2011, the District issued \$1,918,000 Department of Environmental Quality (DEQ) Sewer Revenue Bonds Series 2011. These bonds are payable over 20 years with interest at the rate of .45% per annum and an administrative fee of .50% per annum.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Both principal and interest are due in total, to maturity, as follows:

Year Ending August 31, 2016	Principal Payments	Interest Payments	Total
2018	\$ 92,000	\$ 13,547	\$ 105,547
2019	93,000	12,668	105,668
2020	93,000	11,785	104,785
2021	94,000	10,897	104,897
2022	95,000	9,999	104,999
2023-2027	490,000	36,195	526,195
2028-2032	515,000	12,326	527,326
Total	\$ <u>1,472,000</u>	\$ <u>107,417</u>	\$ <u>1,579,417</u>

The DEQ loan agreement provides for the establishment of the following bank accounts:

“Sewer Revenue Bond Debt Service Fund” - The Series 2011 DEQ Revenue Bonds require the establishment of a “Sewer Revenue Bond Debt Service Fund,” whereby monthly transfers will be made into the account on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of August 31, 2017, the balance in the Sewer Revenue Bond Debt Service Fund was \$100,705.

“Sewer Revenue Bond Debt Service Reserve Fund” - The agreement for the Series 2011 DEQ bond provides that at least 20% of the reserve fund requirement be transferred into the reserve fund each bond year, so that the reserve fund is fully funded no later than five years after the delivery date. As of August 31, 2017, the balance in the Sewer Revenue Bond Debt Service Reserve Fund was \$53,217.

“Depreciation and Contingency Fund” - The agreement for the 2011 DEQ bond provides that, on or before the 20th day of each month of each year, a sum equal to five (5%) of the preceding month’s Net Revenues shall be transferred to this account, provided that such sum is available. Payments in this fund shall continue until such time as \$500,000 has accumulated in this fund, whereby such payments may cease and need be resumed only if the total amount of money on deposit is reduced below \$500,000. As of August 31, 2017, the balance in the Depreciation and Contingency Fund was \$235,976.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 6 - Long-Term Leases

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contained a renewal option for one additional 15 year term, which was renewed on August 1, 2009. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$1,460,993 and \$1,198,341 for the years ended August 31, 2017 and 2016, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease. The District did not incur any capital upgrading costs for the years ended August 31, 2017 and 2016. The cumulative cost of capital upgrading includes a long-term liability to the City of West Monroe as described in Note 7.

Note 7 – Joint Agreement with City of West Monroe on Upgrading Treatment Facility

In fiscal year 2012, the District participated in a capital project with the City of West Monroe to upgrade the quality and quantity of wastewater effluent from the West Monroe/West Ouachita Sewerage District No. 5 Regional Wastewater Treatment Facility. The City financed a portion of the project by means of a \$1,250,000 loan from the Department of Environmental Quality (DEQ) State Revolving Fund Loan Program. The loan is payable over 20 years with an interest rate of .45% and an administrative fee of .50%. The financing arrangement for the project calls for the District to share in 50% repayment of the loan as payments are incurred. The District's total principal obligation to the City consists of 20 principal payments totaling \$625,000 and interest and administrative fees of .45% and .50%, respectively.

Both principal and interest are due in total, to maturity, as follows:

Year Ending August 31, 2016	Principal Payments	Interest Payments	Total
2018	\$ 30,000	\$ 6,735	\$ 36,735
2019	30,000	6,300	36,300
2020	30,500	5,862	36,362
2021	31,000	5,416	36,416
2022	31,000	4,966	35,966
2023-2027	159,500	17,961	177,461
2028-2032	167,500	6,116	173,616
Total	<u>\$ 479,500</u>	<u>\$ 53,356</u>	<u>\$ 532,856</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 8 - Commissioners' Fees

The members of the Board of Commissioners are paid \$60 per regular meeting and \$25 per special meeting. Amounts due to board members for meetings attended during the year ended August 31, 2017 were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Fred Hall - President	12	0	\$ 720
Ralph Owens - Vice President	12	0	720
Don Leach - Secretary/Treasurer	11	0	660
Total			<u>\$ 2,100</u>

Commissioners are paid after year end for the meetings that were attended during the prior year.

Note 9 - Franchise Fee

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$24,365 and \$24,403 for the years ended August 31, 2017 and 2016, respectively.

Note 10 - Parochial Employees' Retirement System of Louisiana

Plan Description

Parochial Employees' Retirement System of Louisiana (The System) is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S. 11:1901 of the Louisiana Revised Statute (LRS). Substantially all employees of the District participate in Plan A of the System.

Benefits Provided

Employees hired prior to January 1, 2007 who retire at or after age 65 with a minimum of seven (7) years of service, at or after age 60 with 10 years of service, at or after age 55 with 25 years of service, or with 30 years of service regardless of age are entitled to a retirement benefit.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Employees who were hired after January 1, 2007 who retire at age 67 with 7 years of experience, age 62 with 10 years of experience or age 55 with 30 years of experience are entitled to a retirement benefit.

Generally, the monthly amount of the retirement allowance shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

1. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married no less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

2. Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

3. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977 (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year period from September 1, 2016 to December 31, 2016 and for the period from January 1, 2017 to August 31, 2017, the actuarially determined contribution rates were 9.35% and 10.52%, respectively, of member's compensation for Plan A. However, the actual rates for those periods were 12.50% and 13.00%, respectively. Contributions to the pension plan from the District were \$52,053 for the year ended August 31, 2017.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the Employer reported a liability of \$140,100 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportion was 0.068026%, which was an increase of 0.006354% from its proportion measured as of December 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of \$83,324 plus the District's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions of (\$47,870).

At August 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ -	\$ 24,516	
Changes in assumptions	26,599	-	
Net difference between projected and actual earnings on pension plan	108,723		
Changes in proportion and differences between employer contributions and proportionate share of contributions	281	14,089	
Employer contributions subsequent to the measurement date	32,663	-	
Total	\$ 168,266	\$ 38,605	

\$32,663 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended August 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending August 31:

2018	\$ 35,674
2019	\$ 38,415
2020	\$ 25,848
2021	\$ (2,939)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, the valuation date, are as follows:

Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Investment rate of return	7.00% net of investment expenses
Projected salary increases	5.25% (2.75% Merit/2.50% Inflation)
Cost-of-living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present value do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The discount rate used to measure the total pension liability was 7.00% for Plan A. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from participating employers and non-employer contributing entities will be made at actuarially determined contribution rates and, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	124%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward 2 years for males and 1 year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Employer's proportionate share of the Net Pension Obligation would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1.0% Decrease	Current Discount	1.0% Increase
	(6.00%)	Rate	(8.00%)
		(7.00%)	
Employer's proportionate share of the net pension liability	\$ 419,097	\$ 140,100	\$ (95,799)

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

pension plan from these non-employer contributing entities. During the year ended August 31, 2017, the District recognized revenue as a result of support received from non-employer contributing entities of \$5,025 for its participation in PERS.

Payables to the Pension Plan

At August 31, 2017, the District had \$9,015 and \$3,043 payable to the pension plan for employer and member contributions, respectively. The payable is based on the legally required contributions by the District and members and is derived from the payroll period ended August 31, 2017.

Note 11 - Other Postemployment Benefits Plan

Plan Description. The District participates in a group defined health retirement plan ("the Plan"), authorized by Louisiana Revised Statute, which is administered by the Office of Group Benefits. The plan provides medical, dental and vision insurance benefits to eligible retirees. The Plan does not issue a publicly available financial report.

Funding Policy. The contribution requirements of the plan members and the District are established and may be amended by the District. Retirees are required to pay 23% of the medical premiums charged by the Office of Group Benefits. Retirees pay the full cost of dental and vision benefits. For the fiscal year 2017, the District did not have any retirees covered under the Plan, so no contributions were made to the Plan.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

	August 31,	
	2017	2016
Annual Required Contribution	\$56,358	\$56,358
Interest on Net OPEB Obligation	\$6,380	\$4,951
Adjustment to Annual Required Contribution	(\$8,179)	(\$6,348)
Annual OPEB Cost (Expense)	\$54,599	\$54,961
Contributions Made	\$0	\$0
Increase in Net OPEB Obligation	\$54,599	\$54,961
Net OPEB Obligation – beginning of year	\$245,370	\$190,409
Net OPEB Obligation – end of year	\$299,929	\$245,370

The District’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
8/31/2015	\$51,081	0.0%	\$190,409
8/31/2016	\$54,962	0.0%	\$245,370
8/31/2017	\$54,599	0.0%	\$299,929

Funded Status and Funding Progress. As of August 31, 2016 the actuarial accrued liability for benefits was \$332,221, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$356,418, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 93.2%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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 plan members to that point. The actuarial methods and assumptions used

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employee – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age earliest eligibility.

Marital Status – Current marital status is assumed to continue throughout retirement.

Mortality – Life expectancies were based on the RPH-2014 Healthy Annuitant, projected to 2015 using Scale MP-2015.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health cost trend rate – The expected rate of increase in healthcare insurance premiums was based on the Society of Actuaries' Getzen Model (updated for 2016). A rate of 9.00% initially, reduced to an ultimate rate of 3.94% after 71 years, was used.

Health Insurance Premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits paid.

Inflation rate – The expected long term inflation assumption of 2.6% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for intermediate growth.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the District's short-term investment portfolio, a discount rate of 2.60% was used. In addition, a simplified version of the Unit Credit actuarial cost method was used. The unfunded actuarial liability is being amortized on a level percent of pay, open basis over 30 years.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 12 - Related Party Transactions

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation, and group health insurance policies through the Police Jury. During 2017 and 2016 the District paid the Police Jury \$157,969 and \$138,909, respectively, for this coverage.

Note 13 - Risk Financing Activities

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage, and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate general liability coverage of \$3,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had \$5,271,100 and \$5,064,371 in net position as of December 31, 2016 and 2015, respectively. The District contributed \$67,580 and \$61,595 into the fund during the years ended August 31, 2017 and 2016, respectively.

Note 14 - Concentrations of Risk

Accounts receivable primarily represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$30 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect approximately \$1,511,082 after applying the security deposits of \$194,150.

Note 15 - Government Merger

At its July 5, 2016 meeting, the Ouachita Parish Police Jury passed ordinance number 9111 altering the boundaries of the District to encompass the area constituting West Ouachita Sewerage District No. 16 (District 16) and abolishing said West Ouachita Sewerage District No. 16. On August 4, 2016, the District officially accepted the assets and operations of District No. 16. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 69, this government combination was recognized as a government merger. Thus, the initial opening balances of District 16's assets,

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

liabilities, and net position as of the beginning of the District's reporting period were determined on the basis of the carrying values at the date of the merger as follows:

Consolidated Statement of Assets, Liabilities, and Net Position
for the Year Beginning September 1, 2015

	West Ouachita Sewerage District No. 16	West Ouachita Sewerage District No. 5	Total
Assets			
Current assets	\$ 44,554	\$ 4,734,199	\$ 4,778,753
Noncurrent assets	541,442	11,464,063	12,005,505
Total Assets	<u>585,996</u>	<u>16,198,262</u>	<u>16,784,258</u>
Deferred Outflows of Resources			
Deferred Charges on Pensions	<u>-</u>	<u>83,665</u>	<u>83,665</u>
Liabilities			
Current liabilities	50,737	808,787	859,524
Noncurrent liabilities	<u>-</u>	<u>2,279,271</u>	<u>2,279,271</u>
Total liabilities	<u>50,737</u>	<u>3,088,058</u>	<u>3,138,795</u>
Deferred Inflows of Resources			
Deferred inflows on Pensions	<u>-</u>	<u>9,138</u>	<u>9,138</u>
Net Position			
Net investment in capital assets	541,442	8,923,640	9,465,082
Restricted	-	165,167	165,167
Unrestricted	(6,183)	4,095,924	4,089,741
Total net position	<u>\$ 535,259</u>	<u>\$ 13,184,731</u>	<u>\$ 13,719,990</u>

As a result of the merger with District 16, beginning Net Position was adjusted as follows:

Net Position – Pre-merger (September 1, 2015)	\$ 13,184,731
Add: Net increase in Net Position due to merger	<u>535,259</u>
Net Position – Post-merger (September 1, 2015)	<u>\$ 13,719,990</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

A summary of changes in net position for the year ended August 31, 2016, for the District and District 16 is presented below:

Consolidated Statement of Revenue, Expenses, and Changes in Net Position
for the Year Ended August 31, 2016

	West Ouachita Sewerage District No. 16	West Ouachita Sewerage District No. 5	Total
Operating income	\$ 116,732	\$ 4,072,129	\$ 4,188,861
Operating expenses	<u>175,668</u>	<u>3,608,186</u>	<u>3,783,854</u>
Operating income (loss)	(58,936)	463,943	405,007
Non-operating income and expense	-	77,888	77,888
Capital contributions - developers	<u>-</u>	<u>111,952</u>	<u>111,952</u>
Increase (decrease) in net position	<u>\$ (58,936)</u>	<u>\$ 653,783</u>	<u>\$ 594,847</u>

Note 16 – Subsequent Events

At its' October 9, 2017 meeting, the Board of Commissioners contracted with a local company for the Lift Station "H" Relocation and Replacement Project in the amount of \$415,454.

At the December 11, 2017 meeting of the Board of Commissioners, the Board approved payment of \$260,664 to the City of West Monroe for the District's share of an active carbon exchange at the shared wastewater treatment plant.

On January 8, 2018, the Board of Commissioners accepted the bid of a contractor for the West Park Subdivision Sewer Pumping Station and Force Main Project in the amount of \$278,372.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
08/31/17	09/01/15	\$ -	\$ 332,221	\$ 332,221	0.0%	\$ 356,418	93.2%
08/31/16	09/01/15	\$ -	\$ 332,221	\$ 332,221	0.0%	\$ 356,418	93.2%
08/31/15	09/01/12	\$ -	\$ 281,416	\$ 281,416	0.0%	\$ 340,747	82.6%

West Ouachita Sewerage District No.5
Schedule of Employer's Proportionate Share of Net Pension Liability
For the Year Ended August 31, 2017
(Unaudited)

Parochial Employees' Retirement System of Louisiana

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.06803%	\$ 140,100	\$ 317,095	44.18%	94.10%
2016	0.06166%	\$ 162,294	\$ 280,466	57.87%	92.23%
2015	0.06167%	\$ 16,862	\$ 331,186	5.09%	99.15%

**West Ouachita Sewerage District No. 5
Schedule of Employer Contributions
For the Year Ended August 31, 2017
(Unaudited)**

Parochial Employees Retirement System of Louisiana

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2017	\$ 52,053	\$ 52,053	\$ -	\$ 317,095	16.42%
2016	\$ 37,072	\$ 37,072	\$ -	\$ 280,466	13.22%
2015	\$ 53,256	\$ 53,256	\$ -	\$ 331,186	16.08%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended August 31, 2017**

Changes of Benefit Terms include:

There were no changes in benefit terms for the year ended August 31, 2017

Changes of Assumptions

The investment rate of return decreased from 7.25% to 7.00% and projected salary increases decreased from 5.75% to 5.25% for the valuation year ended December 31, 2014.

OTHER SUPPLEMENTAL INFORMATION

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULES OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED AUGUST 31,

	2017				
	Customer Deposits	Bond and Interest Redemption	Revenue Bond Reserve	Depreciation and Contingency	Total
Balance - September 1, 2016	\$ 187,375	\$ 92,274	\$ 53,164	\$ 177,311	\$ 510,124
Add:					
Transfers/adjustments	1,178	106,800	-	58,462	166,440
Interest earned	189	55	53	203	500
Total funds available	188,742	199,129	53,217	235,976	677,064
Less:					
Principal and interest payment	-	(98,424)	-	-	(98,424)
BALANCE - AUGUST 31, 2017	\$ 188,742	\$ 100,705	\$ 53,217	\$ 235,976	\$ 578,640

	2016				
	Customer Deposits	Bond and Interest Redemption	Revenue Bond Reserve	Depreciation and Contingency	Total
Balance - September 1, 2015	\$ 175,508	\$ 98,398	\$ 53,111	\$ 21,906	\$ 348,923
Add:					
Transfers/adjustments	11,734	(6,175)	-	155,305	160,864
Interest earned	133	51	53	100	337
BALANCE - AUGUST 31, 2016	\$ 187,375	\$ 92,274	\$ 53,164	\$ 177,311	\$ 510,124

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED AUGUST 31, 2017**

Agency Head Name: Terry Cox, District Manager

Purpose	Amount
Salary	\$80,163
Benefits-insurance	\$4,828
Benefits-retirement	\$8,954
Benefits-basic life insurance	\$66
Vehicle provided by government	\$703

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 2017
(Unaudited)

Property or Risk and Insurance Company	Kind of Insurance and Term	Maximum Coverage	
Employees Safety National Casualty Corporation	1/1/17 to 1/1/18	Statutory	*
Multi-Peril Traveler's Indemnity Company	Comprehensive General Liability 1/1/17 to 1/1/18	\$3,000,000 - Aggregate \$1,000,000 - Per Occurrence	*
Vehicles Atlantic Specialty Insurance Company	Auto Liability 1/1/17 to 1/1/18	Combined Single Limit \$1,000,000	*
3 Commissioners and All Employees Atlantic Specialty Insurance Company	Fidelity Bond 1/1/17 to 1/1/18	\$100,000 Per Occurrence \$1,000 Deductible	*

This schedule, prepared from the policies, is intended only as a descriptive summary.

* Policy is covering the Ouachita Parish Police Jury, which includes West Ouachita Sewerage District No. 5.

**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
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited, in accordance with the 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 the business-type activities of West Ouachita Sewerage District No. 5 (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004 to be material weaknesses.

Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

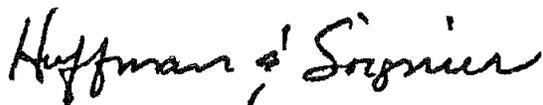
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

April 18, 2018

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

To the Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana

Report on Compliance for Each Major Federal Program

We have audited West Ouachita Sewerage District No. 5's (the District) (a component unity of the Ouachita Parish Police Jury) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

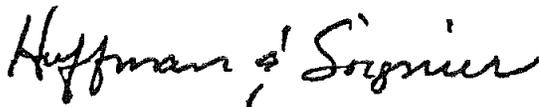
Report on Internal Control over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



(A Professional Accounting Corporation)

April 18, 2018

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA No.	Pass-Through Grantor ID No.	2017 Expenditures
Department of Transportation			
Passed Through Louisiana Department of Transportation			
Highway Planning and Construction -Arkansas Road Project	20.205	H.002622	\$ <u>1,613,762</u>
Total Department of Transportation			<u>1,613,762</u>
Total Federal Awards Expended			\$ <u><u>1,613,762</u></u>

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal Awards programs of the **West Ouachita Sewerage District No. 5's** (the District) (a component unit of the Ouachita Parish Police Jury). The District's reporting entity is defined in Note 1 to the District's basic financial statements. All Federal awards are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's financial statements.

Note 3 - Relationship of the Schedule of Expenditures of Federal Awards to Financial Statements

Federal Awards are reported in the District's financial statements as follows:

Revenue - Statement of Revenues, Expenses	
Changes in Net Position	<u>\$ 1,613,762</u>
Schedule of Expenditures of Federal Awards	<u>\$ 1,613,762</u>

Note 4 - Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

We have audited the financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District), as of and for the year ended August 31, 2017, and the related notes to the financial statement, which collectively comprise the basic financial statements and have issued our report thereon dated April 18, 2018. We conducted our 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. Our audit of the financial statements as of August 31, 2017 resulted in an unmodified opinion.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over financial reporting

Material Weaknesses yes no Significant Deficiency yes no

Noncompliance material to financial statements yes no

Federal Awards

Internal Control

Material Weaknesses yes no Significant Deficiency yes no

Type of Opinion on Compliance Unmodified Modified
For Major Programs Disclaimer Adverse

Are there findings required to be reported in accordance with the Uniform Guidance?
No

Identification of Major Programs:

CFDA #20.205, Highway Planning and Construction – Arkansas Road Project

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000.

Is the auditee a "low-risk" auditee yes no

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

Section II – Findings related to the financial statements that are required to be reported under Government Auditing Standards.

**2017-001 Regular Review of Reports Received from the Billing Company
(First reported in 2016)**

Criteria or Specific Requirement

Proper internal controls over financial reporting require that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely and agreed to supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records in a timely manner.

Conditions Found

As also noted in the prior year, during our audit of sewer revenues and customer accounts receivable, we noted that monthly billing registers received from the external billing company utilized by West Ouachita Sewerage District #5 (the District) did not correlate with the consumption/usage listed on the charge reports or with the subsequent collections remitted to the District for certain sewer customers. There were also discrepancies noted in the classification of certain individual customers as residential or commercial users.

Additionally, the District bills its customers in conjunction with a local water utility provider that has experienced extensive billing problems which have indirectly affected the District's collections.

Cause

The District is not being provided with accurate reports from the billing company that are suitable for the District to compare monthly commercial customer consumption with corresponding billings to ensure that individual customers are being billed correctly each month. During the prior fiscal year, the billing company replaced substantially all of its employees at the local office and changed meter reading companies.

Furthermore, officials from the office of the Louisiana Public Service Commissioner advised customers of the previously mentioned water utility provider, a significant number of whom are conjointly the District's customers, not to pay their bills until billing issues were resolved.

Effect

Billing errors could lead to overcharging or undercharging individual customers on a month by month basis. Also, billing and collection problems have led the District to recognize bad debt expenses of \$532,911 and a cumulative allowance for doubtful accounts of \$614,537 in the current year.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

Recommendations to Prevent Future Occurrences

The District should assign someone in the office with the responsibility of reviewing the reports received from the billing company to ensure that monthly consumption matches the amounts billed to each customer and that residential and commercial customers are classified correctly. If existing charge reports cannot provide the District with the data needed to compare/recompute customer usage to amounts billed (within the same report), then the District should request that the billing company generate a customized report each month that can provide the data needed for comparison.

Management's Corrective Action Plan

We will designate someone in the office with the responsibility of reviewing the monthly reports received from the billing company to ensure that consumption and corresponding billings are being calculated correctly for each customer. If any additional reports are needed to comply with the recommendations above, we will request such from the billing company, as needed.

**2017-002 Timely Filing of Audit Report
(First reported in 2016)**

Criteria or Specific Requirement

Louisiana Revised Statute 24:513 requires that the District prepare and submit its annual audited financial statements to the Louisiana Legislative Auditor within six months of the District's fiscal year.

Conditions Found

The District was not able to submit its audited financial statements within the six month timeframe as required by state law regarding financial reporting.

Cause

Audit procedures were delayed due to untimely responses from the contracted billing company with respect to the issues mentioned in Finding 2017-001 above.

Audit procedures were additionally delayed due to matters that were unclear related to reimbursement from the Louisiana Department of Transportation and Development related to a sewer relocation project.

The combination of these matters resulted in delayed auditing procedures, many that could not be performed until after February 28, 2018, which was the deadline for the audited financial statements.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

Effect

The District is in non-compliance with Louisiana Revised Statute 24:513 et. seq. regarding financial reporting.

Recommendations to Prevent Future Occurrences

As mentioned in Finding 2017-001, we recommend the District review the reports received from the billing company for errors and communicate any issues detected to the billing company on a monthly basis. This will ensure that errors are addressed and corrected prior to fiscal year end and that future audits can be completed and submitted to the Legislative Auditor within the prescribed time period.

Management's Corrective Action Plan

We will follow the recommendations of the auditors to ensure that future audits can be completed and submitted to the Legislative Auditor within six months of the end of the fiscal year end.

**2017-003 Payroll Records
(First reported in 2016)**

Criteria or Specific Requirement

A sound system of internal controls should include a written payroll policy which provides for an official weekly time sheet maintained on a daily basis and signed off on a weekly basis by the employee and supervisor to keep track of each employee's work hours and time taken off for each pay period. Additionally, detailed supporting records should be maintained for time and attendance, accrued vacation and sick leave, and vacation and sick leave used.

Conditions Found

During our review of payroll transactions, we noted that the District has informal records with respect to time and attendance, accrued vacation and sick leave, and vacation and sick leave used. Although the District does have methods for keeping track of payroll activity, formal time sheets are not being utilized and detailed records of vacation and sick leave earned and used are not being kept in an organized manner. Additionally, there is no written policy specifying how the payroll records will be kept or who is responsible for such.

Cause

The District's policies and procedures do not provide specific guidance as to how daily, weekly, and annual time and attendance records are to be tracked and recorded. Furthermore, the employee responsible for tracking and maintaining the District's payroll and personnel records has not received sufficient training in these areas sufficient to carry out the related duties in an efficient and organized manner.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

Effect

The District does not have adequate records to support accrued vacation and sick leave which resulted in a terminated employee being paid for 15 days of sick time, which is not in accordance with the District's policies. Also, the District's records are not sufficient to support daily activity for individual employees should discrepancies arise.

Recommendations to Prevent Future Occurrences

The District should develop a written policy which specifies a more formalized payroll recordkeeping process. The process should include an official weekly time sheet to keep track of each employee's hours worked on a daily basis. Time off for vacation and sick leave should be reflected on each employee's time sheet. At the end of each week (pay period), the employee should sign-off on the time sheet certifying that the hours worked and leave taken are correct, and a supervisor should sign-off certifying that he or she has personal knowledge of the correctness of the hours worked and leave taken. Additionally, the payroll process should include a perpetual record for accrued vacation and sick leave. Furthermore, the employee responsible for maintaining and recording payroll and personnel information should obtain formal training in how to properly maintain these records.

Management's Corrective Action Plan

We will develop a written policy which defines the payroll recordkeeping process. Additionally, we will implement formal weekly time sheets with employee and supervisory approval and we will maintain a perpetual record for accrued vacation and sick leave.

2017-004 Maintenance of the General Ledger and Monthly Financial Reporting

Criteria or Specific Requirement

Generally accepted accounting principles require the District to record all transactions in a uniform and rational manner, as prescribed by the Governmental Accounting Standards Board, so as to provide financial information to those charged with governance sufficient for routine decision making and analysis.

Conditions Found

Over the course of our audit, eighteen adjusting journal entries were required to be posted to the District's general ledger. In particular, entries were made to reclassify \$716,870 of federal revenues that had been improperly posted to construction in progress, \$153,567 of capital expenditures that were improperly recorded as professional fees, and \$196,624 of repairs and maintenance expenses that were improperly recorded as capital expenditures. Furthermore, we found that the Board of Commissioners reviews financial and budgetary information on a quarterly basis.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

Cause

The District did not properly classify certain transactions in a manner consistent with generally accepted accounting principles. Also, although the District utilizes a consultant who reviews financial information on a monthly basis, internal financial reports are only generated on a quarterly basis.

Effect

The District's interim financial records were not fairly presented in accordance with generally accepted accounting principles and may not have been suitable for budgetary and decision making purposes.

Recommendations to Prevent Future Occurrences

We recommend that the District expand its contracted services with its consultant CPA to allow for monthly review and reconciliation of the District's general ledger and financial reporting information. In particular, we recommend that District personnel and the consultant CPA review capital expenditures, engineering fees, and maintenance and repairs charges each month to ensure that all expenditures are properly classified.

Management's Corrective Action Plan

Management will contact the CPA and advise him to do a monthly review and reconciliation of the financial reporting instead of every quarter.

Section III - Findings and questioned costs for Federal awards which are required to be reported under the Uniform Guidance.

None

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

The following is a summary of the status of the prior year finding included in Huffman & Soignier's (APAC) audit report dated April 12, 2017 of West Ouachita Sewerage District No. 5 as of and for the year ended August 31, 2016.

2016-001 Regular Review of Reports Received from the Billing Company

Finding:

The District received erroneous billing information from its external billing company resulting in overcharges and undercharges for certain individual residential and commercial customers on a month-to-month basis.

Status:

This issue remains unresolved. See Finding 2017-001.

2016-002 Timely Filing of Audit Report

Finding:

Due to complications associated with a merger with West Ouachita Sewerage District No. 16 and the billing problems mentioned above, the District did not file audited financial statements with the Louisiana Legislative Auditor by the prescribed deadline.

Status:

The report related to this finding was filed. However, current-year report was not filed in a timely manner. See Finding 2017-002.

2016-003 Payroll Records

Finding:

The District's control processes and procedures were insufficient to properly track and record time and attendance, accrued vacation and sick leave, and vacation and sick leave used.

Status:

This issue remains unresolved. See Finding 2017-003

STATEWIDE AGREED UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the West Ouachita Sewerage District No. 5 (a component unit of Ouachita Parish Police Jury) (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2016 through August 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We requested the District's written policies and procedures to report whether those written policies and procedures address each of the following financial/business functions (or report that the District 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 District'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.

Results: Although the District has some written policies and procedures, they do not adequately address the financial and business functions as prescribed by the LLA's SAUPs.

Management's Response: WOSD No. 5's written policies and procedures will be reviewed by the board and revised to include more information.

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Determined 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) Determined 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 District'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) Determined 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.

Results: There were 12 exceptions related to procedure 2.b). The minutes covering the fiscal year 2017 time period did not contain any evidence showing that the board reviewed or discussed monthly budgets.

Management's Response: All budgets have been reviewed by the board quarterly but the board will now review the budget monthly.

Bank Reconciliations

3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, we selected all of the District'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 determined 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.

Results: We noted that bank reconciliations had not been prepared for four of the five bank accounts tested. The bank reconciliations that were prepared were not approved by a member of management or a board member with no involvement in the transactions associated with the bank account.

Four exceptions were noted during the completion of procedure 4.c). The August 2017 bank reconciliation for one account tested lists four outstanding checks older than six months that have not been researched. One check is from June 2016 (\$7,500); one is from August 2016 (\$7,500); and two are from November 2016 (\$3,985.96).

Management's Response: WOSD No. 5 will start reconciling all the bank statements to SAUP's standards. We did not reconcile the four bank accounts in question because the ending bank balance usually matches the bank balance each month. There are hardly any transactions in these accounts and most activity is usually interest payments. WOSD No. 5 will have a board member with no involvement with bank transactions approve transactions with these accounts. WOSD No. 5 is looking into the four outstanding checks and will review outstanding checks in a more timely manner.

Collections

5. We requested 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, we selected all of the District'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) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) in order to determine whether each person responsible for collecting cash

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 4 of 12**

- 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) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) in order to determine whether the District 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) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using District collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined 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, we verified that daily cash collections are completely supported by documentation and report any exceptions.
7. We obtained existing written documentation (e.g. policy manual, written procedure) in order to determine whether the District has a process specifically defined (identified as such by the District) 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.

Results: The District does not have written documentation discussing the items in procedures 6.a), 6.b), and 7. Regarding procedure 6.c), there were three exceptions where daily collections were not deposited within one business day of collection, and one exception where a collection was not supported by documentation. Two collections totaling \$318,746.74 were deposited 4 days after receipt, and one collection totaling \$4.91 did not have supporting documentation, so the date of receipt is unknown.

Management's Response: The policies and procedures will include more information and the daily collections will be deposited daily instead of weekly. We will also keep records that show each deposit with the date that they were received.

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

8. We obtained a listing of District disbursements from management or, alternately, obtained the general ledger and sorted/filtered for District disbursements. We obtained management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, we randomly selected twenty-five disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the District had less than twenty-five transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined 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 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 District documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the person responsible for processing payments is prohibited from adding vendors to the District's purchasing/disbursement system.
11. Using District documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed 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 reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed District documentation (electronic system control documentation) and determined whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we inquired 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. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

Results: There were exceptions for procedures 9.a), 9.b), and 10-13. The District does not have a system that separates the initiation and approval of purchase orders. These two functions are the responsibility of the district manager and assistant district manager. In

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 6 of 12**

addition to initiating and approving purchases, they have access to the check stock maintained in a locked cabinet in the officer manager's office, and they have signatory authority over the District's bank accounts.

One board member uses a signature stamp to sign checks. While the stamp is maintained under the control of the board member, the signed checks are not maintained under the control of the signers until mailed. The office manager holds the checks until they are ready for mailing. Furthermore, the office manager processes payments and has the ability to add vendors to the District's QuickBooks file.

Management's Response: WOSD No. 5 is a small operation and only has a handful of employees therefore there are not many people to separate the disbursements between. However, WOSD No. 5 separates disbursements between the employees as much as possible. All disbursements are reviewed by the board at the monthly meetings and the secretary of the board signs all checks.

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

14. We obtained 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. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the District has less than 10 cards) that were used during the fiscal period, rotating cards each year. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, selected the monthly bank statement with the largest dollar amount of debit card purchases) and:
 - a) Determined 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) Determined whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained 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, we determined 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, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the District'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 reported any exceptions.
- c) For each transaction, we compared the District'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.

Results: There were ten exceptions noted related to procedure 15.a) and two exceptions related to procedure 15.b). The ten monthly statements tested were not approved by an individual who is not an authorized card holder. Also, the District paid finance charges and late fees totaling \$513.14 on two of the ten statements tested. For procedure 16.a), there were two exceptions due to the District's not having itemized receipts for two transactions totaling \$332.85.

Management's Response: The monthly statements will be reviewed by the board and they will be paid in a timely manner so there are not any charges or late fees. All receipts will be itemized.

Travel and Expense Reimbursement

- 17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
- 18. We obtained the District's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.
- 19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the District does not have written policies,

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 8 of 12**

compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

- b) Reported 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) Compared the District'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) Determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: According to the office manager, there were no travel reimbursements paid to employees during fiscal year 2017, so procedures 17 and 19.a)-19.d) are not applicable. Regarding procedure 18, the District does not have detailed written policies related to travel and expense reimbursements to use in comparison to the U.S. General Services Administration's policies for per diem and mileage rates.

Management's Response: We have established a dollar amount allowed daily for meals for employees out of town for training.

Contracts

- 20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sort/filter for contract payments. Obtained management's representation that the listing or general ledger is complete.
- 21. Using the listing above, selected 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). Obtained the related contracts and paid invoices and:
 - a) Determined whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Reported whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 9 of 12**

- If yes, obtained/compared supporting contract documentation to legal requirements and reported whether the District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtained supporting contract documentation and reported whether the District solicited quotes as a best practice.
- c) Determined whether the contract was amended. If so, reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtained/reviewed 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).

Results: No exceptions were noted as a result of applying agreed-upon procedures.

Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly selected five employees/officials, obtained their personnel files, and:
 - a) Reviewed 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) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
23. We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, randomly selected 25 employees/officials (or randomly select one-third of employees/officials if the District had less than 25 employees during the fiscal period), and:
 - a) Reported 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) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Reported whether there is written documentation that the District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 10 of 12**

24. We obtained 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, selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. Reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Reported 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.

Results: There were three exceptions related to procedure 22.a) and three exceptions for procedure 22.b). The District does not have written employment contracts that new employees sign, nor does it have a pay rate structure. Currently, employees are hired verbally, and the pay rates are set at the discretion of the district manager. Also, changes made to employees' pay rates were not approved in writing.

For procedures 23.a) and 23.b), we selected four employees and noted that they did not properly document their daily attendance and leave each day of the pay period tested, which resulted in 20 exceptions. In addition, there were four exceptions regarding management approval of attendance records, and two exceptions related to management approval of leave records.

Regarding procedure 24, there was one exception related to improper termination pay. A terminated employee was paid 15 days of sick time, which is not in accordance with the District's policy. Sick time is only to be paid upon normal retirement, and the employee who received sick pay did not retire.

For procedure 25, there were 12 exceptions for the untimely remittance of Form 941 payroll taxes. The number of days late ranged from 3-23 days. Moreover, there were three exceptions for the untimely remittance of L-1 payroll taxes. Two L-1 tax deposits were made two days late, and one was made nine days late. The District paid penalties and interest totaling \$16.65 for the late payment of the L-1 tax deposit for the quarter ended March 31, 2017. Also, there were two exceptions for late filing of Forms L-1 due to the District's filing two Forms L-1 two days late. Finally, two exceptions were found when testing the timely filing of the Parochial Employees' Retirement System (PERS) quarterly reporting forms and timely payment of PERS contributions. The PERS form reporting the fourth quarter 2016 Deferred Retirement Option Plan (DROP) contribution was filed ten days late, and the DROP payment for this quarter was also paid ten days late.

Management's Response: WOSD No. 5 will have a pay scale for employees although some employees are more qualified than others their pay may be more than others. All employees

**West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 11 of 12**

will keep a pay rate change in their file. WOSD No. 5 has timesheets for employees and are stressing the importance of employees keeping up with attendance, overtime, and leave. There will be approval forms for management to sign prior to any leave taken. Sick leave pay will only be paid to those who leave due to retirement. We are working with our CPA firm to get our payroll tax returns submitted quarterly and the payroll tax deposits made timely.

Ethics (excluding nonprofits)

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

Results: There were five exceptions noted for procedure 26. None of the five individuals selected for testing completed ethics training.

Management's Response: All employees and board members will be required to complete an ethics training course and their certificates will be in their personnel file.

Debt Service (excluding nonprofits)

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

Results: No exceptions were noted as a result of applying agreed-upon procedures.

Other

31. Inquired of management whether the District had any misappropriations of public funds or assets. If so, obtained/reviewed supporting documentation and reported whether the

West Ouachita Sewerage District #5
Statewide Agreed Upon Procedures
Year Ended August 31, 2017
Page 12 of 12

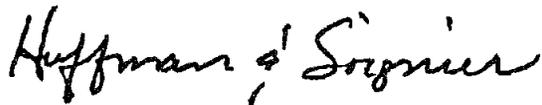
District reported the misappropriation to the legislative auditor and the district attorney of the parish in which the District is domiciled.

32. Observed and reported whether the District has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



(A Professional Accounting Corporation)
April 18, 2018