

**PECAN ISLAND WATERWORKS
DISTRICT NO. 3 OF VERMILION PARISH,
LOUISIANA**

Financial Report

Years Ended December 31, 2017 and 2016

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INDEPENDENT ACCOUNTANT’S COMPILATION REPORT

Board of Commissioners
Pecan Island Waterworks District No. 3
of Vermilion Parish, Louisiana
Kaplan, Louisiana

Management is responsible for the accompanying financial statements of the business-type activities of the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana, component unit of Vermilion Parish Police Jury, (the District) as of and for the years ended December 31, 2017 and 2016, and related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the supplementary information on pages 12 - 14 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. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

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BASIC FINANCIAL STATEMENTS

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 160,370	\$ 145,545
Accounts receivable	5,376	5,376
Prepaid insurance	<u>4,745</u>	<u>4,745</u>
Total current assets	<u>170,491</u>	<u>155,666</u>
Restricted assets:		
Cash - customer deposits	<u>17,442</u>	<u>17,387</u>
Capital assets:		
Buildings and improvements	233,941	233,941
Equipment	31,767	31,767
Improvements other than buildings	<u>2,007,249</u>	<u>2,007,249</u>
	2,272,957	2,272,957
Less: Accumulated depreciation	<u>(999,451)</u>	<u>(908,745)</u>
Total capital assets, net of accumulated depreciation	<u>1,273,506</u>	<u>1,364,212</u>
Total assets	<u>\$ 1,461,439</u>	<u>\$ 1,537,265</u>
LIABILITIES		
Current liabilities:		
Contracts payable	\$ 1,359	\$ 1,359
Accrued payroll and payroll taxes	1,767	13,167
Accrued expenses and sales taxes	<u>2,087</u>	<u>2,362</u>
Total current liabilities	<u>5,213</u>	<u>16,888</u>
Current liabilities payable from restricted assets -		
Customer's meter deposits	<u>17,057</u>	<u>17,149</u>
Total liabilities	<u>22,270</u>	<u>34,037</u>
NET POSITION		
Invested in capital assets, net of related debt	1,273,506	1,364,212
Unrestricted	<u>165,663</u>	<u>139,016</u>
Total net position	<u>1,439,169</u>	<u>1,503,228</u>
Total liabilities and net position	<u>\$ 1,461,439</u>	<u>\$ 1,537,265</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Water sales	\$ 135,406	\$ 130,196
Meter fees	<u>-</u>	<u>100</u>
Total operating revenues	<u>135,406</u>	<u>130,296</u>
OPERATING EXPENSE		
Administrative fees	3,586	-
Chemicals	11,257	16,407
Depreciation	90,706	90,621
Dues and subscriptions	172	124
Insurance	19,712	17,611
Interest	-	1,804
License and permits	600	645
Meter readings and installations	5,085	4,715
Miscellaneous	1,099	-
Office supplies	2,804	3,104
Professional fees	5,009	5,836
Repairs and maintenance	10,009	11,934
Salaries and payroll taxes	38,583	42,675
Telephone and utilities	4,748	6,432
Vehicle	<u>6,119</u>	<u>7,017</u>
Total operating expenses	<u>199,489</u>	<u>208,925</u>
Operating loss	(64,083)	(78,629)
NONOPERATING INCOME		
Interest income	<u>24</u>	<u>147</u>
	<u>24</u>	<u>147</u>
Decrease in net position	(64,059)	(78,482)
Net position		
Balance, beginning of year	<u>1,503,228</u>	<u>1,581,710</u>
Balance, end of year	<u>\$ 1,439,169</u>	<u>\$ 1,503,228</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 135,406	\$ 130,296
Payments to vendors for goods and services	(70,475)	(75,964)
Payments to employees for services	<u>(49,983)</u>	<u>(33,893)</u>
Net cash provided by operating activities	<u>14,948</u>	<u>20,439</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash collected (paid) for meter deposits	<u>(92)</u>	<u>600</u>
Net cash provided (used) by noncapital and related financing activities	<u>(92)</u>	<u>600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	-	(10,143)
Net repayments on long-term debt	<u>-</u>	<u>(6,046)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(16,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>24</u>	<u>147</u>
Net cash provided by investing activities	<u>24</u>	<u>147</u>
Net increase in cash and cash equivalents	14,880	4,997
Cash and restricted cash - beginning	<u>162,932</u>	<u>157,935</u>
Cash and restricted cash - ending	<u>\$ 177,812</u>	<u>\$ 162,932</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Operating loss	\$ (64,083)	\$ (78,629)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	90,706	90,621
Decrease in accounts payable	-	(60)
Decrease in accrued expenses	(275)	(275)
Increase in payroll liabilities	<u>(11,400)</u>	<u>8,782</u>
Total adjustments	<u>79,031</u>	<u>99,068</u>
Net cash provided by operating activities	<u>\$ 14,948</u>	<u>\$ 20,439</u>
Reconciliation of total cash:		
Current assets - cash	\$ 160,370	\$ 145,545
Restricted assets - cash	<u>17,442</u>	<u>17,387</u>
	<u>\$ 177,812</u>	<u>\$ 162,932</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to an ordinance adopted by the Vermilion Parish Police Jury, the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana (the District) was created to provide water services to the customers of the former Pecan Island Water System of the Vermilion Parish Waterworks District No. 1 of the Parish of Vermilion, State of Louisiana. The District is an integral part of the Vermilion Parish Police Jury for financial reporting purposes. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Financial Reporting Entity

For financial reporting purposes in conformity with Governmental Accounting Standards Board Statement No. 14, the District is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the Vermilion Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or regulations. The District is presented in the accompanying financial statements as follows:

PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the District is water usage fees. The operating cost of the proprietary fund is all costs associated with the operation of the water distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Resources

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

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 40 years
Improvements other than buildings	25 years
Equipment	5 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Depreciation expense for the years ended December 31, 2017 and 2016 was \$90,706 and \$90,621, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Bad Debts

The District charges any uncollectible accounts directly to current operations. All accounts at December 31, 2017 and 2016 are considered to be collectible.

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.

Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Any liability the District might have in this regard as of December 31, 2017 and 2016 is considered immaterial; therefore, no liability has been recorded in the accounts.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values of Financial Instruments

The District applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. See Note 9 for details on fair values used for the District's assets and liabilities.

Subsequent Events

Management has evaluated subsequent events through May 18, 2018, the date the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

The carrying value of the District's cash deposits, including certificates of deposit, with financial institutions at December 31, 2017 totaled \$177,812 and the bank balance was \$181,051. Cash and investments are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. During the year ended December 31, 2017, the District's deposits were fully secured by the federal deposit insurance corporation.

NOTE 3 RESTRICTED ASSETS

The District's restricted assets consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Customers' meter deposits:		
Cash	<u>\$ 17,442</u>	<u>\$ 17,387</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
Capital assets:				
Building and improvements	\$ 233,941	\$ -	\$ -	\$ 233,941
Equipment and furniture	31,767		-	31,767
Improvements other than buildings	<u>2,007,249</u>	-	-	<u>2,007,249</u>
Total capital assets	<u>2,272,957</u>	-	-	<u>2,272,957</u>
Less accumulated depreciation for:				
Building and improvements	(103,004)	(6,568)	-	(109,572)
Equipment and furniture	(15,802)	(3,426)	-	(19,228)
Improvements other than buildings	<u>(789,939)</u>	<u>(80,712)</u>	-	<u>(870,651)</u>
Total accumulated depreciation	<u>(908,745)</u>	<u>(90,706)</u>	-	<u>(999,451)</u>
Capital assets, net	<u>\$1,364,212</u>	<u>\$ (90,706)</u>	<u>\$ -</u>	<u>\$1,273,506</u>

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 5 CONCENTRATION OF CREDIT RISK

The credit risk for trade accounts receivable is concentrated because most of the balances are due from individuals located in the same geographical region.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. No claims have been settled in excess of the commercial coverage.

NOTE 7 BOARD OF COMMISSIONERS

The board of commissioners consists of five members, with compensation paid as follows:

Adrian Conner	Chairman	\$	720
Jimmy Vincent	Vice-Chairperson		-
Randall Broussard	Secretary/Treasurer		-
Sandra Vincent	Commissioner		720
Annie Hebert	Commissioner		720
		<u>\$</u>	<u>2,160</u>

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The District applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure of fair value. The hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following methods and assumptions were used by the District in estimating fair value disclosures for financial instruments:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Contracts payable and accrued expenses – The carrying amount of contracts payable and accrued expenses approximate fair value.

OTHER SUPPLEMENTARY INFORMATION

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Schedule of Number of Utility Customers
December 31, 2017 and 2016

Records maintained by the District indicated the following number of water customers were being served during the month of December:

2017	413
2016	413

See independent accountant's compilation report.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

List of Insurance Policies in Force
December 31, 2017

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Property	May 25, 2018	893,840
Crime		
Computer and funds transfer fraud	May 25, 2018	20,000
Employee theft	May 25, 2018	10,000
Forgery or alteration	May 25, 2018	10,000
Inside the premise - theft of money & securities	May 25, 2018	10,000
Outside the premises	May 25, 2018	10,000
Money orders	May 25, 2018	10,000
Fraudulent impersonation	May 25, 2018	10,000
Inside the premise - robbery/safe burglary	May 25, 2018	5,000
General liability coverage		
General aggregate	May 25, 2018	3,000,000
Products - completed operations aggregate	May 25, 2018	3,000,000
Each occurrence	May 25, 2018	1,000,000
Damages to premises rented to you	May 25, 2018	1,000,000
Personal and advertising injury	May 25, 2018	1,000,000
Medical expense	May 25, 2018	10,000
Public officials and management liability	May 25, 2018	3,000,000
Cyber liability and privacy crisis management expense		
Cyber liability	May 25, 2018	1,000,000
Privacy crisis management expense	May 25, 2018	50,000
Privacy crisis management expense and cyber extortion expense	May 25, 2018	50,000
Cyber extortion expense	May 25, 2018	20,000
Business auto		
Commercial auto	May 25, 2018	1,000,000
Uninsured motorists	May 25, 2018	1,000,000

See independent accountant's compilation report.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Schedule of Compensation, Benefits, and Other Payments to System Manager
Year Ended December 31, 2017

Denise Hardin, System Manager	
<u>Purpose</u>	<u>Amount</u>
Salary	<u>\$ 30,240</u>

See independent accountant's compilation report.