

**WATERWORKS DISTRICT NO. 9  
OF WARD 4 OF CALCASIEU  
PARISH, LOUISIANA  
Sulphur, Louisiana**

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**Annual Financial Report  
December 31, 2016 and 2015**

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# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana as of December 31, 2016 and 2015, 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.

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated April 10, 2017 on my consideration of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

**Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
April 10, 2017

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016**

The Management’s Discussion and Analysis of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended December 31, 2016. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

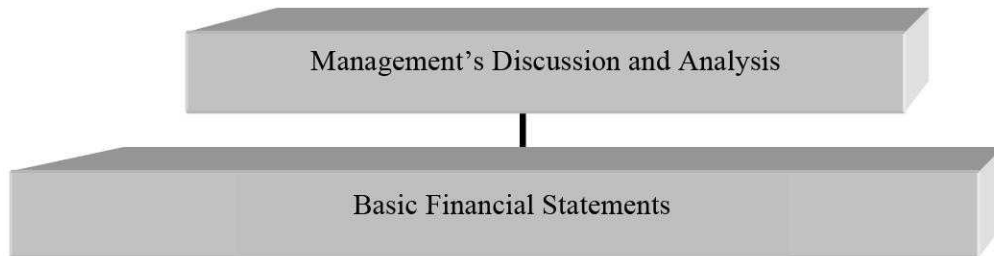
**FINANCIAL HIGHLIGHTS**

The District’s assets exceeded its liabilities at the close of 2016 by \$11,494,993 which represents an 8.4% increase from last fiscal year. Of this amount, \$4,725,725 (unrestricted net assets) may be used to meet the District’s ongoing obligations to its users.

The District’s operating revenue increased \$152,281 (or 7.6%) and the net results from operations increased by \$132,087.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016**

**Basic Financial Statements**

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

The Statement of Net Position (pages 7 - 8) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The District's assets plus deferred outflows of resources minus their liabilities and deferred inflows of resources equals the net position. The net position of the District may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statements (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2016	2015	2014
Current assets	\$ 4,788,230	\$ 4,092,965	\$ 3,752,288
Capital assets	7,764,268	7,869,744	7,776,888
Total Assets	12,552,498	11,962,709	11,529,176
Other liabilities	43,244	23,485	42,775
Long-term debt outstanding	1,014,261	1,334,261	1,630,000
Total Liabilities	1,057,505	1,357,746	1,672,775
Net position:			
Net investment in capital assets	6,769,268	6,554,744	6,146,888
Unrestricted amounts	4,725,725	4,050,219	3,709,513
Total Net Position	\$ 11,494,993	\$ 10,604,963	\$ 9,856,401

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016**

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

Net position of the District increased by \$890,030, or 8.4%, from December 31, 2015 to December 31, 2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 2,162,266	\$ 2,009,985	\$ 1,788,636
Operating expenses	<u>(1,637,173)</u>	<u>(1,616,979)</u>	<u>(1,575,112)</u>
Operating income (loss)	<u>525,093</u>	<u>393,006</u>	<u>213,524</u>
Non-operating revenues (expenses)	<u>364,937</u>	<u>355,556</u>	<u>339,935</u>
Net increase (decrease) in net position	<u>\$ 890,030</u>	<u>\$ 748,562</u>	<u>\$ 553,459</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2016, the District had \$7,764,268, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net decrease (including additions and deductions) of \$105,476, or 1.3%, from last year.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land and Right of Ways	\$ 113,486	\$ 113,486	\$ 113,486
Plant and Distribution System	15,824,385	15,533,145	15,115,085
Furniture, Fixtures, and Equipment	346,564	310,461	248,809
Construction in progress	4,582	-0-	4,788
Less Accumulated Depreciation	<u>(8,524,749)</u>	<u>(8,087,348)</u>	<u>(7,705,280)</u>
Totals	<u>\$ 7,764,268</u>	<u>\$ 7,869,744</u>	<u>\$ 7,776,888</u>

This year's Major Capital additions included above were:

- Radio Read Meters \$ 140,017
- Hood Road Bore and Tap \$ 58,415

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016**

**Debt**

The District had \$995,000 in bonds outstanding at year-end, compared to \$1,315,000 last year, a decrease of 24.3%. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue Bonds	\$ 995,000	\$ 1,315,000	\$ 1,630,000

The District issued \$1,990,000 of its Water Revenue Refunding Bonds, 2013 Series, during the fiscal year ending December 31, 2013. The bonds were dated November 19, 2013. These bonds were issued for the purpose of refunding the outstanding Water Revenue Refunding Bonds, Series 2004 and paying the cost of issuing the bonds.

The District's Revenue bonds are AAA insured. The District's General Obligation bonds were un-rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alice Webb, District Supervisor, Waterworks District No. 9 of Ward 4 of Calcasieu Parish.



**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Net Position  
As of December 31,**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 643,421	\$ 557,674
Investments	3,178,024	2,722,235
Restricted assets:		
Cash and cash equivalents - revenue bonds	125,256	92,984
Investments - construction	79,300	53,812
Receivables - net of allowance for uncollectibles of \$40,687 for 2016 and \$34,770 for 2015:		
Water accounts	182,832	136,663
Unbilled	117,130	108,414
Taxes - ad valorem - maintenance	342,860	326,107
Inventory	93,412	71,761
Prepaid expenses	25,995	23,315
Total Current Assets	4,788,230	4,092,965
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Furniture, fixtures, and equipment	137,914	131,798
Vehicles	208,650	178,663
Plant and distribution system	15,824,385	15,533,145
	16,170,949	15,843,606
Less: accumulated depreciation and amortization	(8,524,749)	(8,087,348)
	7,646,200	7,756,258
Construction in progress	4,582	-
Land	113,486	113,486
Net Property, Plant, and Equipment	7,764,268	7,869,744
<b>TOTAL ASSETS</b>	<b>\$ 12,552,498</b>	<b>\$ 11,962,709</b>

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Net Position (Continued)  
As of December 31,**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,584	\$ 11,656
Sales tax payable	7,132	1,343
Payroll taxes and retirement payable	8,096	3,475
Wages payable	9,432	7,011
Total Current Liabilities	43,244	23,485
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Due within one year - revenue bonds	325,000	320,000
Total Current Liabilities (Payable From Restricted Assets)	325,000	320,000
<b>LONG-TERM LIABILITIES</b>		
Due in more than one year - revenue bonds	670,000	995,000
OPEB payable	19,261	19,261
Total Long-Term Liabilities	689,261	1,014,261
<b>TOTAL LIABILITIES</b>	<b>1,057,505</b>	<b>1,357,746</b>
<b>NET POSITION</b>		
Net investment in capital assets	6,769,268	6,554,744
Unrestricted amounts	4,725,725	4,050,219
<b>TOTAL NET POSITION</b>	<b>\$ 11,494,993</b>	<b>\$ 10,604,963</b>

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Revenues, Expenses, and Changes in Net Position  
For The Years Ended December 31,**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Water sales and fees	\$ 2,162,266	\$ 2,009,985
<b>OPERATING EXPENSES</b>		
Wages	447,970	423,784
Payroll tax and employee benefits	168,307	154,878
Commissioner fees	7,300	7,100
Depreciation expense	437,401	414,204
Insurance	85,289	84,808
Accounting and legal expenses	19,423	16,874
Meter reading	68,198	68,345
Miscellaneous	35,371	52,919
Office supplies	37,715	31,805
Plant supplies	130,265	140,637
Repairs and maintenance	63,538	76,348
Telephone	22,175	18,735
Utilities	86,498	80,199
Vehicle expense	15,286	18,807
Contract labor	6,520	22,657
Bad debt expense	5,917	4,879
Total Operating Expenses	1,637,173	1,616,979
<b>INCOME FROM OPERATIONS</b>	525,093	393,006
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes - maintenance	349,423	344,964
Investment income	14,529	2,613
Gain on sale of fixed assets	-	12,025
Joint service income	11,783	18,799
Miscellaneous	20,495	11,903
Revenue sharing	4,468	3,049
Interest expense	(35,761)	(37,797)
Total Non-Operating Revenues	364,937	355,556
<b>CHANGE IN NET POSITION</b>	890,030	748,562
<b>NET POSITION - BEGINNING OF YEAR</b>	10,604,963	9,856,401
<b>NET POSITION - END OF YEAR</b>	\$ 11,494,993	\$ 10,604,963

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Cash Flows  
For The Years Ended December 31,**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 2,101,464	\$ 2,063,486
Payments to suppliers	(750,198)	(796,572)
Payments to employees	(448,229)	(421,479)
Other	-	(6,694)
Net Cash Provided (Used) by Operating Activities	903,037	838,741
<b>Cash Flows From Investing Activities:</b>		
Investment income	14,529	2,613
Cash received (paid) for certificates of deposit	-	(28)
Cash received (paid) for Investments in LAMP and mutual funds, net	(481,277)	(331,314)
Net Cash Provided (Used) by Investing Activities	(466,748)	(328,729)
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital expenditures for plant and equipment	(331,925)	(507,059)
Cash received from sale of fixed assets	-	12,025
Principal payments on bonds	(320,000)	(315,000)
Cash received for ad valorem taxes	332,670	363,803
Intergovernmental - revenue sharing and riverboat funds	16,251	21,848
Interest expense	(35,761)	(37,797)
Miscellaneous	20,495	11,903
Net Cash Provided (Used) by Capital and Related Financing Activities	(318,270)	(450,277)
<b>Net Increase (Decrease) in Cash</b>	118,019	59,735
<b>Cash and Cash Equivalents - Beginning of Year</b>	650,658	590,923
<b>Cash and Cash Equivalents - End of Year</b>	\$ 768,677	\$ 650,658
<b>Cash and Cash Equivalents:</b>		
Cash - unrestricted	\$ 643,421	\$ 557,674
Cash - restricted	125,256	92,984
	\$ 768,677	\$ 650,658

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

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Cash Flows (Continued)  
For The Years Ended December 31,**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 525,093	\$ 393,006
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	437,401	414,204
Provisions for bad debts	5,917	4,942
(Increase) decrease in receivables	(60,802)	53,501
(Increase) decrease in prepaid insurance	(2,680)	(4,847)
(Increase) decrease in inventory	(21,651)	(22,036)
Increase (decrease) in accounts payable and other accrued expenses	19,759	(19,290)
Increase (decrease) in accrued OPEB payable	-	19,261
Total Adjustments	377,944	445,735
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 903,037</b>	<b>\$ 838,741</b>
 <b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 35,761	\$ 37,797

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
December 31, 2016 and 2015**

***Note 1 - Summary of Significant Accounting Policies***

The accounting policies of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

**Financial Reporting Entity**

This report includes all funds and account groups which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Waterworks District No. 9 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana. The district is a component unit of the Calcasieu Parish Police Jury.

**Fund Accounting**

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 1 - Summary of Significant Accounting Policies (Continued)***

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Accounts Receivable**

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Budgets and Budgetary Accounting**

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 1 - Summary of Significant Accounting Policies (Continued)***

**Property, Plant, and Equipment and Long-Term Liabilities**

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

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

Furniture, fixtures, and equipment	3 - 40 years
Vehicles	5 years
Plant and distribution system	15 - 40 years

All fixed assets are stated at historical cost. All property and equipment in excess of \$1,000 are capitalized. Depreciation amounted to \$437,401 for the year ended December 31, 2016 and \$414,204 for the year ended December 31, 2015.

**Cash and Cash Equivalents**

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

**Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market.

***Note 2 - Ad Valorem Taxes***

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1st of the following year.

For the year ended December 31, 2016, taxes of 2.4 mills were levied on property with assessed valuations, net of homestead exemption. Total taxes levied were \$352,245. Taxes receivable at December 31, 2016 were \$342,860, all of which were considered collectible. The 2.4 mills were dedicated to the maintenance fund.



**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 3 - Changes in Long-Term Debt***

The District issued \$1,990,000 of its Water Revenue Refunding Bonds, 2013 Series, during the fiscal year ending December 31, 2013. The bonds were dated November 19, 2013. These bonds were issued for the purpose of refunding the outstanding Water Revenue Refunding Bonds, Series 2004 and paying the cost of issuing the bonds.

The following is a summary of bond payable transactions of the District for the years ended December 31, 2016 and 2015:

	<u>Revenue</u>
Outstanding at December 31, 2014	\$ 1,630,000
Bonds Retired	<u>( 315,000 )</u>
Outstanding at December 31, 2015	<u>\$ 1,315,000</u>

	<u>Revenue</u>
Outstanding at December 31, 2015	\$ 1,315,000
Bonds Retired	<u>( 320,000 )</u>
Outstanding at December 31, 2016	<u>\$ 995,000</u>

Long-term debt consists of the following at December 31:

<u>Revenue bonds:</u>	<u>2016</u>	<u>2015</u>
\$1,990,000 Waterworks Revenue Refunding Bonds, Series 2013, due in annual installments of \$50,000 to \$340,000 through January 1, 2020; interest at 1.84%	\$ 995,000	\$ 1,315,000

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

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

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

**Revenue Bonds**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 325,000	\$ 18,308	\$ 343,308
2018	330,000	12,328	342,328
2019	<u>340,000</u>	<u>6,256</u>	<u>346,256</u>
Total	<u>\$ 995,000</u>	<u>\$ 36,892</u>	<u>\$ 1,031,892</u>

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana.

***Note 4 - Accumulated Unpaid Vacation and Sick Pay***

There was no liability for accumulated unpaid vacation and sick pay at December 31, 2016 and 2015.

***Note 5 - Board of Commissioners' Fees***

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

	<u>2016</u>	<u>2015</u>
Larry Mouton	\$ 1,500	\$ 1,400
Byron Chamblee	1,400	1,400
Vito Tramonte	1,500	1,400
Richard Boenig	1,400	1,500
Theresa Bell	<u>1,500</u>	<u>1,400</u>
Total	<u>\$ 7,300</u>	<u>\$ 7,100</u>

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 6 - Cash, Cash Equivalents, and Investments***

At December 31, 2016 and 2015, the District had cash and certificates of deposit (book balances) as follows:

	2016	2015
Demand deposits	\$ 768,112	\$ 650,058
Certificate of deposit	47,105	47,105
Total	\$ 815,217	\$ 697,163

A reconciliation of cash and certificates of deposit follows:

	2016	2015
Cash on hand	\$ 565	\$ 600
Carrying amount of deposits	815,217	697,163
	\$ 815,782	\$ 697,763
Cash and cash equivalents	\$ 768,677	\$ 650,658
Certificates of deposit (non-cash equivalents)	47,105	47,105
	\$ 815,782	\$ 697,763

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the District's name.

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

At December 31, 2016, the District had \$853,555 in deposits (collected bank balances). These deposits are secured from risk by \$297,147 of federal deposit insurance and \$898,546 of pledged securities held in a custodial bank in the District's name.

At December 31, 2015, the District had \$736,686 in deposits (collected bank balances). These deposits are secured from risk by \$297,105 of federal deposit insurance and \$829,682 of pledged securities held in a custodial bank in the District's name.

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

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

Under Louisiana Revised Statutes 33:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, highly rated investment grade commercial paper, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

The District had \$53,640 (fair market value) as of December 31, 2016 and \$52,918 (fair market value) as of December 31, 2015 invested in bond mutual funds which had underlying investments consisting solely of United States government instruments. The bond mutual funds have a maturity of less than 1 year.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$3,156,579 as of December 31, 2016 and \$2,676,024 as of December 31, 2015.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA - R.S. 33:2955.

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

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

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

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

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

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

**Interest rate risk:** LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 47 days as of December 31, 2016. The District does not have interest rate risk policies for investments.

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

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**Note 7 - Other Information**

The District had 4,193 and 4,033 active metered customers at December 31, 2016 and 2015, respectively.

**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 113,486	\$ -0-	\$ -0-	\$ 113,486
Construction in Progress	-0-	4,582	-0-	4,582
Capital Assets Being Depreciated:				
Plant and Distribution System	15,533,145	291,240	-0-	15,824,385
Furniture, Fixtures, & Equipment	310,461	36,103	-0-	346,564
Total Capital Assets being Depreciated	15,843,606	327,343	-0-	16,170,949
Less Accumulated Depreciation	8,087,348	437,401	-0-	8,524,749
Total Capital Assets Being Depreciated, Net of Depreciation	7,756,258	(110,058)	-0-	7,646,200
Total Capital Assets, Net	\$ 7,869,744	\$ (105,476)	\$ -0-	\$ 7,764,268

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 8 - Capital Assets (Continued)**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 113,486	\$ -0-	\$ -0-	\$ 113,486
Construction in Progress	4,788	200,559	205,347	-0-
Capital Assets Being Depreciated:				
Plant and Distribution System	15,115,085	418,060	-0-	15,533,145
Furniture, Fixtures, & Equipment	248,809	93,789	32,137	310,461
Total Capital Assets being Depreciated	15,363,894	511,849	32,137	15,843,606
Less Accumulated Depreciation	7,705,280	414,205	32,137	8,087,348
Total Capital Assets Being Depreciated, Net of Depreciation	7,658,614	97,644	-0-	7,756,258
Total Capital Assets, Net	\$ 7,776,888	\$ 298,203	\$ 205,347	\$ 7,869,744

**Note 9 - Deferred Compensation Plan**

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. All District employees are permitted to contribute a portion of their salary to the plan. Contributions to the plan by employees equaled \$28,619 for the year ended December 31, 2016, and \$24,775 for the year ended December 31, 2015. The District makes a matching contribution to the plan up to 5% of the employee's compensation. Pension expense for 2016 and 2015 paid by the District was \$22,970 and \$16,903, respectively. This plan is administered by Hartford Life Insurance Company.

**Note 10 - Prior Year Balances**

Certain prior year amounts may have been reclassified to conform to current year presentation.

**Note 11 - 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; and natural disasters for which the government carries commercial insurance.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 12 - Restricted Assets***

Restricted assets consist of cash, investments and tax receivables restricted for the retirement of the District's revenue bonds and construction. Restricted assets consisted of the following as of December 31:

	2016	2015
Construction	\$ 79,300	\$ 53,812
Debt Services Funds	125,256	92,984
	\$ 204,556	\$ 146,796

***Note 13 - Other Postemployment Benefits (OPEB)***

In the year ending December 31, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the District consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future - upon retirement, and whose costs will be borne by the District in the future. This Statement attempts to quantify the future "retirement" costs that have been earned by the employee during his active years of employment. The District will finance the postemployment benefits on a "pay-as-you-go" basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

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

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

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

***Note 13 – Other Postemployment Benefits (OPEB) (Continued)***

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

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

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Parish management. As stated previously, the required contribution is based on projected “pay-as-you-go” financing requirements. The employer contribution to the OPEB plan allocated to the District for 2015 was \$-0-. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2014 consisted of \$440 per month if under age 65, \$340 per month if subject to Medicare Supplement Part A, or \$238 per month if subject to Medicare Supplements Parts A & B. Premiums paid monthly for 2015 consisted of \$462 per month if under age 65, \$357 per month if subject to Medicare Supplement Part A, or \$249.90 per month if subject to Medicare Supplements Parts A & B.

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

The projected unit credit actuarial cost method was used for the January 1, 2014 actuarial valuations. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all four valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2014 actuarial valuation report were based on the RP 2000 Male and Female Tables which is consistent with the 2008, 2010, and 2012 valuation reports. Turnover rates for both valuation reports were based on the Parish’s historical data and modified based on years of employment.



**WATERWORKS DISTRICT NO. 9 OF WARD 4**  
**OF CALCASIEU PARISH, LOUISIANA**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

***Note 13 – Other Postemployment Benefits (OPEB) (Continued)***

For the January 1, 2014 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees' costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2014 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2019 and beyond. A 1% inflation factor was utilized each year. The 2014 actuarial valuation also assumes that (1) the member's current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2015 was twenty-two years.

Annual OPEB Cost and Net OPEB Obligation: The Parish's annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2012, 2013, and 2014. The ARC was calculated as part of the January 1, 2012 and January 1, 2014 actuarial valuations performed by outside actuary consultants. The 2015 ARC was obtained from the 2014 valuation report and adjusted for another year's activity as required by GASB Statement No. 45.

The annual allocation of OPEB costs has not yet been determined. The following shows the components of the District's annual allocation of OPEB costs for the prior year:

Annual Required Contribution (ARC)	\$ 2,900
Interest on Net OPEB Obligation	611
Adjustment to ARC	<u>471</u>
Annual OPEB Cost (Expense)	3,982
Less: Contributions	<u>(-0-)</u>
Increase in Net OPEB Obligation	3,982
Net OPEB Obligation at Beginning of year	<u>15,279</u>
Net OPEB Obligation at End of year*	<u><u>\$ 19,261</u></u>

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 13 – Other Postemployment Benefits (OPEB) (Continued)**

**Trend Information for OPEB Plan:**

<u>Fiscal Year Ended</u>	<u>OPEB Plan Total</u>
<b><u>December 31, 2013:</u></b>	
Annual OPEB Cost	\$-0-
% of Annual OPEB Cost Contributed	-0-%
Net OPEB Obligation	\$-0-
<b><u>December 31, 2014:</u></b>	
Annual OPEB Cost	\$15,279
% of Annual OPEB Cost Contributed	100%
Net OPEB Obligation	\$15,279
<b><u>December 31, 2015:</u></b>	
Annual OPEB Cost	\$3,982
% of Annual OPEB Cost Contributed	21%
Net OPEB Obligation	\$19,261

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

<u>Actuarial Valuation Date</u>	<u>(a)</u> <u>Actuarial Value of Assets</u>	<u>(b)</u> <u>Actuarial Accrued Liability (AAL)</u>	<u>(b-a)</u> <u>Unfunded AAL (UAAL)</u>	<u>(a/b)</u> <u>Funded Ratio</u>	<u>(c)</u> <u>Covered Payroll**</u>	<u>((b-a)/c)</u> <u>UALL as a Percentage of Covered Payroll</u>
01/01/10	\$0	\$17,227,969	\$17,227,969	0.00%	\$30,359,316	57%
01/01/12	\$0	\$15,571,023	\$15,571,023	0.00%	\$31,178,169	50%
01/01/14	\$0	\$24,571,497	\$24,571,497	0.00%	\$37,965,534	65%

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

**Note 14 – Subsequent Events**

The District evaluated its December 31, 2016 financial statements for subsequent events through the date of the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

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

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated April 10, 2017.

### *Internal Control Over Financial Reporting*

In planning and performing my audit of the financial statements, I considered Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. I did identify a deficiency in internal control, described in item 2016-1 in the accompanying Schedule of Findings and Responses, that I consider to be a material weakness.

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 Responses as item 2016-2.

### **Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's Response to Findings**

Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
April 10, 2017

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses  
December 31, 2016**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Material weakness in internal control – Refer to B. 2016-1.
3. Noncompliance – Refer to B. 2016-2.

**B. GAGAS Findings:**

**Finding: 2016-1 Financial Statement Reporting –**

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

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

**Effect:** Misstatements in financial statements could go undetected.

**Recommendation:** Management should have heightened awareness of all transactions being reported. Management should consider contracting an accountant to assist in the financial reporting process.

**Response:** Management has considered this weakness and determined that it will contract the appropriate personnel to remove this deficiency.

**Finding: 2016-2 Compliance with Public Bid Law –**

**Condition:** The District purchased in excess of \$30,000 a like commodity (chemical) during the 2016 fiscal year. Although each purchase of the chemical was less than \$30,000, the aggregate amount annually was in excess of \$30,000. Although the "splitting" prohibition is not in the state statute itself, the Louisiana Attorney General's office has a longstanding interpretation that La. R.S. 38:2212.1 (A) requires that purchases of like commodities during the course of the fiscal year be aggregated and publicly bid if the total amount of those purchases for the fiscal year exceed the statutory threshold for bidding. The District acquired the chemicals using a vendor that charged amounts within State contract pricing guidelines. However the District did not follow Louisiana's Public Bid Law documentation requirements that are required when the purchase of materials and supplies are acquired from a local vendor.

**Criteria:** Under state law, all materials and supplies above the contract limit must be advertised for public bid or acquired under the provisions of state contract bid prices.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses (Continued)  
December 31, 2016**

**Finding: 2016-2 Compliance with Public Bid Law (continued)–**

**Effect:** The District may be purchasing chemicals at a cost greater than would be required if done through the public bid process or state contract.

**Recommendation:** The District should follow Louisiana’s Public Bid Law for all purchases above contract limits.

**Response:** The District was not aware of the Attorney General’s interpretation of La. R.S. 38:2212.1 (A) requiring that purchases of like commodities during the course of the fiscal year be aggregated and publicly bid if the total amount of those purchases for the fiscal year exceeded \$30,000. The District did acquire the supplies from a local vendor at allowed state contract prices, but did not complete all the documentation requirements. The District shall put a system in place to facilitate the compliance with all applicable bid law requirements in the future.

**C. Prior Year Findings:**

**Finding: 2015-1 Financial Statement Reporting –**

The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District’s internal control structure and because of the limitations of the accounting staff; the design of the District’s internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

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

**Year Ended December 31, 2016**

**Agency Head: Larry Mouton, Board President**

<b>Purpose</b>	<b>Amount</b>
Commissioner Fees	\$1,500.00
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

**Note: This schedule is included as supplementary information.**