

**WATERWORKS DISTRICT 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana**

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 20
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 <i>Government Auditing Standards</i>	21 - 22
Schedule of Findings and Responses	23 - 24
Schedule of Compensation, Benefits and Other Payments	25

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
Certified Public Accountants

Member American Institute of

Member Louisiana Society of

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of April 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana as of April 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2017 on my consideration of Waterworks District 4 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 4 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 4 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
September 11, 2017

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2017**

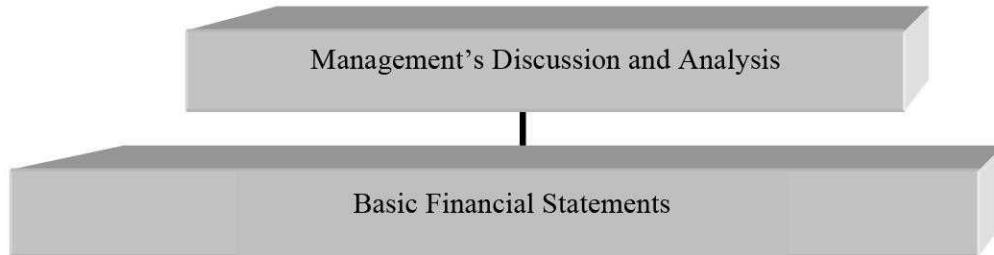
The Management’s Discussion and Analysis of the Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended April 30, 2017. This document focuses on the current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

FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2017 by \$1,978,760 which represents a 1.2% increase from last fiscal year. Of this amount, \$749,762 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s operating revenue decreased \$21,192 (or 2.9%) and the net results from operations decreased by \$74,815 (or 65.8%).

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. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2017**

Basic Financial Statements

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

The Statement of Net Position (pages 7 - 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is fund net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

FINANCIAL ANALYSIS OF THE ENTITY

	2017	2016	2015
Current and other assets	\$ 1,063,440	\$ 1,055,867	\$ 1,088,476
Capital assets	2,799,939	2,842,515	2,903,312
Total assets	<u>3,863,379</u>	<u>3,898,382</u>	<u>3,991,788</u>
Other liabilities	144,619	132,533	235,889
Long-term debt outstanding	1,740,000	1,810,000	1,875,000
Total liabilities	<u>1,884,619</u>	<u>1,942,533</u>	<u>2,110,889</u>
Net position:			
Net investment in capital assets	1,060,325	1,032,900	1,028,697
Amounts restricted for debt service	168,673	163,787	52,881
Unrestricted amounts	749,762	759,162	799,321
Total net position	<u>\$ 1,978,760</u>	<u>\$ 1,955,849</u>	<u>\$ 1,880,899</u>

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.

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2017**

The net position of the District increased by \$22,911, or 1.2%, from April 30, 2016 to April 30, 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 718,704	\$ 739,896	\$ 661,647
Operating expenses	<u>(679,764)</u>	<u>(626,141)</u>	<u>(604,002)</u>
Operating income (loss)	38,940	113,755	57,645
Non-operating revenues (expenses)	<u>(16,029)</u>	<u>(38,805)</u>	14,957
Net increase (decrease) in net position	<u>\$ 22,911</u>	<u>\$ 74,950</u>	<u>\$ 72,602</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of April 30, 2017, the District had \$2,799,939, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$42,576, or 1.5%, from last year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and Right of Ways	\$ 26,857	\$ 26,857	\$ 26,857
Plant and Distribution System	4,328,354	4,286,396	4,222,615
Furniture, Fixtures, and Equipment	306,276	264,253	264,253
Less Accumulated Depreciation	<u>(1,861,548)</u>	<u>(1,734,991)</u>	<u>(1,610,413)</u>
Totals	<u>\$ 2,799,939</u>	<u>\$ 2,842,515</u>	<u>\$ 2,903,312</u>

This year's major capital additions included above are:

- Water line tie-in project \$ 35,118
- Truck \$ 24,823

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2017**

Debt

The District issued \$2,000,000 of Water Revenue Bonds, Series 2012, during the fiscal year ending April 30, 2013. The bonds were dated August 1, 2012. These bonds were issued for the purpose of funding the plant expansion project. The outstanding balance on these bonds is \$1,740,000, \$1,810,000 and \$1,875,000 at April 30, 2017, 2016 and 2015, respectively.

The District's Series 2012 Water Revenue Bonds are un-rated.

CONTACTING THE DISTRICT'S MANAGEMENT

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Net Position
As of April 30,

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 591,564	\$ 574,481
Restricted assets:		
Cash restricted for construction	386	385
Cash restricted for debt service	255,605	246,199
Cash restricted for meter deposits	101,650	97,655
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2017 & 2016	100,550	89,790
Prepaid insurance	13,685	47,357
Total Current Assets	1,063,440	1,055,867
Property, Plant and Equipment		
Furniture, fixtures, and equipment	233,878	216,678
Parking lot	20,500	20,500
Trucks	72,398	47,575
Water wells	664,455	664,455
Water tank	799,233	799,233
Distribution system	2,464,821	2,422,863
Fluoridation system	24,214	24,214
Plant and buildings	355,131	355,131
	4,634,630	4,550,649
Accumulated depreciation	(1,861,548)	(1,734,991)
	2,773,082	2,815,658
Land	26,857	26,857
Net Property, Plant, and Equipment	2,799,939	2,842,515
TOTAL ASSETS	\$ 3,863,379	\$ 3,898,382

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Net Position (Continued)
As of April 30,

LIABILITIES	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts payable	\$ 15,128	\$ 6,252
Payroll taxes payable	3,974	5,026
Accrued compensation	11,935	11,188
Accrued interest - payable from restricted assets	11,932	12,412
Meter deposits - payable from restricted assets	101,650	97,655
Due within one year - revenue bonds (Note 8)	75,000	70,000
Total Current Liabilities	<u>219,619</u>	<u>202,533</u>
Long-Term Debt		
Due in more than one year - revenue bonds (Note 8)	1,665,000	1,740,000
Total Long-Term Debt	<u>1,665,000</u>	<u>1,740,000</u>
TOTAL LIABILITIES	<u>1,884,619</u>	<u>1,942,533</u>
NET POSITION		
Net investment in capital assets	1,060,325	1,032,900
Amounts restricted for debt service	168,673	163,787
Unrestricted amounts	749,762	759,162
TOTAL NET POSITION	<u>\$ 1,978,760</u>	<u>\$ 1,955,849</u>

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended April 30,

	<u>2017</u>	<u>Percent</u>	<u>2016</u>	<u>Percent</u>
OPERATING REVENUES				
Water sales	\$ 650,331	90.5%	\$ 663,642	89.7%
Meter tap revenue	23,775	3.3%	28,925	3.9%
Service charges	11,858	1.6%	8,000	1.1%
Late charges/delinquent fees	32,740	4.6%	39,329	5.3%
Total Operating Revenues	<u>718,704</u>	<u>100.0%</u>	<u>739,896</u>	<u>100.0%</u>
OPERATING EXPENSES				
Salary - superintendent	66,988	9.3%	68,773	9.3%
Salary - office	63,762	8.9%	58,739	7.9%
Transmission labor	56,309	7.8%	55,680	7.5%
Contract labor	11,567	1.6%	3,343	0.5%
Insurance	112,508	15.7%	116,051	15.7%
Payroll taxes	14,123	2.0%	13,787	1.9%
Retirement benefit	9,919	1.4%	9,650	1.3%
Office supplies and postage	9,608	1.3%	10,953	1.5%
Meeting expense	5,600	0.8%	5,800	0.8%
Telephone and tower communications	10,388	1.4%	10,249	1.4%
Utilities	28,292	3.9%	26,913	3.6%
Billing and meter reading	21,408	3.0%	15,335	2.1%
Truck expense	3,454	0.5%	5,775	0.8%
Maintenance and repairs	86,259	12.0%	59,566	8.1%
Chemicals and supplies	24,300	3.4%	18,342	2.5%
Depreciation	126,557	17.6%	124,578	16.8%
Legal and professional	10,450	1.5%	9,950	1.3%
Equipment rental	5,320	0.7%	4,583	0.6%
Water purchases	287	0.0%	-	0.0%
Miscellaneous	11,351	1.6%	6,700	0.9%
Bad debt expense	1,314	0.2%	1,374	0.2%
Total Operating Expenses	<u>679,764</u>	<u>94.6%</u>	<u>626,141</u>	<u>84.6%</u>
INCOME (LOSS) FROM OPERATIONS	<u>38,940</u>	<u>5.4%</u>	<u>113,755</u>	<u>15.4%</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	600	0.1%	283	0.0%
Grant income	11,771	1.6%	-	0.0%
Interest expense	(53,695)	-7.5%	(53,446)	-7.2%
Miscellaneous income	25,295	3.5%	14,358	1.9%
Total Non-Operating Revenues (Expenses)	<u>(16,029)</u>	<u>-2.2%</u>	<u>(38,805)</u>	<u>-5.2%</u>
CHANGE IN NET POSITION	<u>22,911</u>	<u>3.2%</u>	<u>74,950</u>	<u>10.1%</u>
NET POSITION - BEGINNING OF YEAR	<u>1,955,849</u>		<u>1,880,899</u>	
NET POSITION - END OF YEAR	<u>\$ 1,978,760</u>		<u>\$ 1,955,849</u>	

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows
For the Years Ended April 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 707,944	\$ 721,512
Payments to suppliers	(323,338)	(458,057)
Payments to employees	(186,312)	(181,951)
Other	2,681	(4,723)
Net Cash Provided (Used) in Operating Activities	200,975	76,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	600	283
Other income	25,295	14,358
Net Cash Provided (Used) in Investing Activities	25,895	14,641
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(83,981)	(63,781)
Cash received from grants	11,771	25,000
Principal paid on bonds	(70,000)	(65,000)
Interest paid on bonds	(54,175)	(53,892)
Net Cash (Used) in Capital and Related Financing Activities	(196,385)	(157,673)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,485	(66,251)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	918,720	984,971
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 949,205	\$ 918,720
Cash and Cash Equivalents:		
Restricted	\$ 357,641	\$ 344,239
Unrestricted	591,564	574,481
	\$ 949,205	\$ 918,720

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended April 30,

	2017	2016
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 38,940	\$ 113,755
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	126,557	124,578
(Increase) decrease in receivables	(10,760)	(18,384)
(Increase) decrease in prepaid expenses	33,672	(40,258)
Increase (decrease) in accounts payable	8,876	(101,151)
Increase (decrease) in accrued compensation	747	1,241
Increase (decrease) in restricted refundable meter deposits	3,995	(3,349)
Increase (decrease) in payroll taxes	(1,052)	349
Total Adjustments	162,035	(36,974)
Net Cash Provided (Used) by Operating Activities	\$ 200,975	\$ 76,781
 Supplemental Disclosure:		
Cash paid for interest	\$ 54,175	\$ 53,892

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements
April 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury in 1971. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Financial Reporting Entity

As more fully described in paragraph one above, the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

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

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

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 balance sheet.

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.

Property, Plant, Equipment, and Construction in Progress

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

Furniture, fixtures, and equipment	3 – 10 years
Trucks	5 years
Water wells	10 – 50 years
Water tank	10 – 50 years
Distribution system	10 – 50 years
Plant and buildings	20 – 40 years
Land improvements	15 years

Depreciation amounted to \$126,557 and \$124,578 for the years ended April 30, 2017 and 2016, respectively.

Cash and Cash Equivalents

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
 Westlake, Louisiana
 Notes to Financial Statements (Continued)
 April 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Risk Management

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

Note 2 - Meeting Expense

Members of the Board of Commissioners are currently paid a \$100 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

Member	April 30, 2017		April 30, 2016	
	Total Meetings	Expense	Total Meetings	Expense
Doug Fleming	12	\$ 1,200	12	\$ 1,200
Michael Bergeron	12	1,200	12	1,200
Jack Bartlett	8	800	8	800
Kenneth Cochran	12	1,200	13	1,300
O.L. Johnson	12	<u>1,200</u>	13	<u>1,300</u>
		<u>\$ 5,600</u>		<u>\$ 5,800</u>

Note 3 - Accrued Vacation and Compensation

The District's liability for accumulated unpaid vacation and compensation as of April 30, 2017 and 2016, totaling \$11,935 and \$11,188, respectively, has been accrued at prevailing wage rates.

Note 4 - Retirement Benefits

The District implemented a Simplified Employee Pension Plan (SEPP) for its employees during the year ended April 30, 1987. This is a defined contribution plan. The District currently contributes 6% of the salary of qualifying full-time employees to this plan. Employees are not allowed to make contributions to the plan. The contributions for years 2017 and 2016 were \$9,919 and \$9,650, respectively.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 5 - Cash and Cash Equivalents

At April 30, 2017 and 2016, the District had cash and cash equivalents (book balances) totaling \$949,205 and \$918,720, respectively.

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

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

At April 30, 2017, the District had \$955,765 in deposits (collected bank balances). These deposits are secured from risk by \$409,403 of federal deposit insurance and \$562,887 of pledged securities held in a custodial bank in the District's name

At April 30, 2016, the District had \$961,577 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$499,666 of pledged securities held in a custodial bank in the District's name

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

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 6 - Restricted Assets

Restricted assets consist of cash and receivables restricted for construction, the purchase of equipment, the retirement of the District's revenue bonds and meter deposits of users. The following is a schedule of restricted assets as of April 30:

	2017	2016
Construction	\$ 386	\$ 385
Debt Services Funds	255,605	246,199
Meter Deposits	101,650	97,655
	\$ 357,641	\$ 344,239

Note 7 - Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 26,857	\$ -0-	\$ -0-	\$ 26,857
Capital Assets Being Depreciated:				
Plant and Distribution System	4,286,396	41,958	-0-	4,328,354
Furniture, Fixtures, & Equipment	264,253	42,023	-0-	306,276
Total Capital Assets being Depreciated	4,550,649	83,981	-0-	4,634,630
Less Accumulated Depreciation	1,734,991	126,557	-0-	1,861,548
Total Capital Assets Being Depreciated, Net of Depreciation	2,815,658	(42,576)	-0-	2,773,082
Total Capital Assets, Net	\$2,842,515	\$ (42,576)	\$ -0-	\$2,799,939

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 7 - Capital Assets (Continued)

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 26,857	\$ -0-	\$ -0-	\$ 26,857
Construction in Progress	<u>-0-</u>	<u>58,366</u>	<u>58,366</u>	<u>-0-</u>
Capital Assets Being Depreciated:				
Plant and Distribution System	4,222,615	63,781	-0-	4,286,396
Furniture, Fixtures, & Equipment	<u>264,253</u>	<u>-0-</u>	<u>-0-</u>	<u>264,253</u>
Total Capital Assets being Depreciated	4,486,868	63,781	-0-	4,550,649
Less Accumulated Depreciation	<u>1,610,413</u>	<u>124,578</u>	<u>-0-</u>	<u>1,734,991</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,876,455</u>	<u>(60,797)</u>	<u>-0-</u>	<u>2,815,658</u>
Total Capital Assets, Net	<u>\$2,903,312</u>	<u>\$ (2,431)</u>	<u>\$ 58,366</u>	<u>\$2,842,515</u>

Note 8 - Changes in Long-Term Debt

The following is a summary of revenue bonds payable transactions of the District for the year ended April 30, 2017 and 2016:

Outstanding at April 30, 2015	\$ 1,875,000
Bonds retired	<u>65,000</u>
Outstanding at April 30, 2016	\$ <u>1,810,000</u>
Outstanding at April 30, 2016	\$ 1,810,000
Bonds retired	<u>70,000</u>
Outstanding at April 30, 2017	\$ <u>1,740,000</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 8 - Changes in Long-Term Debt (Continued)

Long-term debt at April 30, 2017 consists of the following: 2017 2016

\$2,000,000 Water Revenue Bonds, 2012 Series; dated August 1, 2012; due in annual principal and semi-annual interest installments; annual total debt service payments of \$114,037 to \$157,126, including interest at 2.743%, through the year 2032; secured by pledged revenues of the waterworks system \$1,740,000 \$1,810,000

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

Year Ending April 30,	Principal	Interest	Total
2018	\$ 75,000	\$ 46,700	\$ 121,700
2019	75,000	44,642	119,642
2020	80,000	42,517	122,517
2021	85,000	40,254	125,254
2022	90,000	37,853	127,853
2023-2027	520,000	148,808	668,808
2028-2032	660,000	68,301	728,301
2033	155,000	2,126	157,126
Total	\$ 1,740,000	\$ 431,201	\$ 2,171,201

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

Note 9 - Compliance with Bond Covenants

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2017 and 2016

Note 10 - Prior Year Balances

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

Note 11 - Subsequent Events

The District evaluated its April 30, 2017 financial statements for subsequent events through the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

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

Member American Institute of

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. 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, 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. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated September 11, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 4 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. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2017-2 to be a material weakness.

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, 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. I consider the deficiency described in the accompanying Schedule of Findings and Responses Item 2017-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 4 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Waterworks District No. 4 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. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on 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
September 11, 2017

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Responses
For the Year Ended April 30, 2017

A. Summary of Independent Auditor's Results:

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

B. GAGAS Findings:

2017-01 Segregation of Duties –

Condition: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. This is a repeat finding.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.

Response: Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Commissioners have implemented supervision and review procedures to the extent possible.

2017-02 Financial Statement Reporting –

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

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 would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

C. Prior Year Findings:

2016-01 Segregation of Duties - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

2016-02 Financial Statement Reporting – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana

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

For the Year Ended April 30, 2017

Agency Head: Kenneth Cochran, Board President

Purpose	Amount
Commissioner Fees	\$1,200
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.