

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

Financial Statements

For the Years Ended August 31, 2016 and 2015

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015**

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WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

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(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of August 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

Other Matters

Required Supplementary Information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the Other Post Employment Benefits – Schedule of Funding Progress on page 41; the Schedule of Employer's Proportionate Share of Net Pension Liability on page 42 and the Schedule of Employer Contributions on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

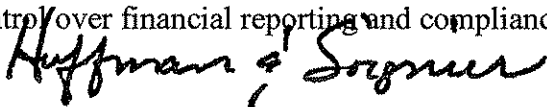
information listed as Other Supplemental Information, Schedules 4, 5, and 6 in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)

April 12, 2017

REQUIRED SUPPLEMENTAL INFORMATION (PART A)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A Component Unit of the Ouachita Parish Police Jury)
Management's Discussion and Analysis
For the Years Ended August 31, 2016 and 2015
(Unaudited)

As management of the West Ouachita Sewerage District No. 5 (A Component Unit of the Ouachita Parish Police Jury) (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's activities for the years ended August 31, 2016 and 2015. Please read it in conjunction with the District's financial statements.

Government Merger

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

Required Financial Statements

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

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

Table 1

**Condensed Statements of Net Assets
as of August 31, 2016 and 2015**

	2016	2015	% Change
Assets:			
Current and other assets	\$ 5,400,649	\$ 4,734,199	14.08%
Restricted assets	510,124	348,923	46.20%
Capital assets, net of depreciation	11,340,122	11,115,140	2.02%
Total assets	<u>17,250,895</u>	<u>16,198,262</u>	<u>6.50%</u>
Deferred outflows of resources	<u>206,500</u>	<u>83,665</u>	<u>100</u>
Liabilities:			
Current liabilities	462,186	535,031	-13.62%
Current liabilities payable from restricted assets	286,131	273,756	4.52%
Noncurrent liabilities	2,359,164	2,279,271	3.51%
Total liabilities	<u>3,107,481</u>	<u>3,088,058</u>	<u>0.63%</u>
Deferred inflows of resources	<u>35,077</u>	<u>9,138</u>	<u>100</u>
Net Position:			
Net investment in capital assets	9,268,122	8,923,640	3.86%
Restricted net position - debt service	314,993	165,167	90.71%
Unrestricted net position	4,731,722	4,095,924	15.52%
Total net position	<u>\$ 14,314,837</u>	<u>\$ 13,184,731</u>	<u>8.57%</u>

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

The total net position of the District at August 31, 2016 was \$14,314,837. Net position can be separated into three categories: Net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets of \$9,268,122 consists of capital assets at original cost of \$27,910,782 less depreciation of \$16,570,660 and related debt of \$2,072,000. Accumulated depreciation of \$16,570,660 is the aggregate depreciation expense since acquisition. Depreciation expense is recorded on the original cost of the asset expensed over the estimated useful life of the asset.

A summary of changes in net position is presented below:

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Operating income	\$ 4,188,861	\$ 4,034,564	3.82%
Operating expenses	<u>3,783,854</u>	<u>3,310,898</u>	<u>14.28%</u>
Operating income (loss)	405,007	723,666	-44.03%
Non-operating income and expense	77,888	(476)	-16463.03%
Capital contributions - developers	<u>111,952</u>	<u>-</u>	<u>100.00%</u>
Increase (decrease) in net position	\$ <u><u>594,847</u></u>	\$ <u><u>723,190</u></u>	<u><u>-17.75%</u></u>

In fiscal year 2016, sewerage fees increased moderately due primarily to revenues related to the sewer system received as a result of the fiscal 2016 merger with West Ouachita Sewerage District No. 16 (see Note 15 for details on the merger). In fiscal 2015, sewerage fees increased sharply due primarily to an increase in residential and commercial user fees which were in effect for all twelve months of fiscal year 2015 as compared to being in effect for only eight months in fiscal 2014.

In 2016, the District's expenses increased sharply due primarily to increases in maintenance and repairs and professional fees incurred for various maintenance needed within the District. Additionally, expenses increased during fiscal 2016 due to increases in depreciation expense and expenses associated with the sewer system received as a result of the fiscal 2016 merger with West Ouachita Sewerage District No. 16 (see Note 15 for details on the merger). In 2015, the District's expenses increased moderately due primarily to an increase in maintenance and repairs and depreciation expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2016 and 2015, the District had \$27,910,782 and \$26,471,337, respectively, invested in capital assets including buildings and improvements, furniture and fixtures, equipment, vehicles, infrastructure, and land (See table below).

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

	August 31,	
	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 410,650	\$ 412,162
Furniture and fixtures	10,858	22,357
Equipment	533,781	535,845
Vehicles	291,353	245,161
Infrastructure	26,035,457	24,816,144
Construction in progress	193,805	4,790
Land	<u>434,878</u>	<u>434,878</u>
Total	27,910,782	26,471,337
Accumulated depreciation	<u>(16,570,660)</u>	<u>(15,356,197)</u>
 Net capital assets	 <u>\$ 11,340,122</u>	 <u>\$ 11,115,140</u>

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

Major additions to capital assets for fiscal year 2016 consisted primarily of the Norris Lane Sewer Line Replacement Project; sewer infrastructure associated with Rolling Meadows Subdivision, Unit 2 (developer contribution); various additions to lines, mains, and manholes; and construction in progress related to the Arkansas Road Widening Project.

Debt

As of August 31, 2016 and 2015, the District's outstanding long-term debt of \$2,479,664 and \$2,398,771, respectively, consisted of the following:

Table 4
West Ouachita Sewer District No. 5's Outstanding Debt
As of August 31, 2016

	<u>2016</u>	<u>2015</u>
Bonds Payable	\$ 1,563,000	\$ 1,653,000
Due to other governments	509,000	538,500
OPEB	245,370	190,409
Pensions	<u>162,294</u>	<u>16,862</u>
	<u>\$ 2,479,664</u>	<u>\$ 2,398,771</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Commissioners authorized an increase in monthly sewer rates for residential and commercial customers at its November 14, 2016 meeting. The increase was implemented to provide sewerage service within the expanded boundaries of the District, to enlarge the capacity of the District's sewer collection system, and to eliminate as many package sewer treatment plants as feasible. The increase, which will begin February 1, 2017, increases residential rates from \$30 to \$45 per month per residential unit and increases commercial rates from \$3.00 to \$4.50 per 1,000 gallons of water usage per month plus a minimum commercial connection fee of \$45 per month.

The District has several large projects that will be completed in fiscal year 2017 or shortly thereafter and a few significantly large projects that will be completed over the next few years. For projects already complete or expected to be completed during fiscal 2017 or shortly thereafter, the District projects that it will incur net capital outlay of approximately \$870,000. The most significant project included in this amount is the Arkansas Road Sewer Relocation Project (an approximate \$1,800,000 total project cost) of which the District's net out-of-pocket share is projected to be approximately \$186,000 after reimbursements from the State of Louisiana.

With respect to projects that will likely begin in the near future but are temporarily on hold, the District projects that it will incur approximately \$1.800 million in capital outlay during fiscal 2017 and shortly thereafter. The larger projects from this group consist of Lift Station "H" Relocation – Acadian Park – Diamond Mobile Home Park project estimated to cost \$450,000 and the West Park Subdivision Pump Station and Force Main project projected to cost \$245,000. In addition, the District will advertise for construction of the Lift Station "N" Force Main project which will be funded with a loan from the Clean Water State Revolving Fund Loan Program through the Louisiana Department of Environmental Quality and a project to connect the Pleasant Valley Subdivision sewer collection system to the District's collection system for an estimated project cost of \$770,000 and \$80,000 respectively.

With respect to long-term projects, the District entered into the engineering phase for the Steep Bayou Project Phase I, Phase II and Phase III during fiscal year 2017 as well as the replacement of the Lift Station "Y" Force Main from Linwell Street to the WM/WOSD No. 5 Regional Wastewater Treatment Plant. The District projects that the Steep Bayou Phase I, II & III projects and the Lift Station "Y" Force Main will cost approximately \$2.000 million, \$1.750 million, \$2.225 million and \$2.500 million, respectively. If the anticipated funding is obtained, the District will finance these projects primarily by the sale of sewer revenue bonds to the Louisiana Department of Environmental Quality (LDEQ) in the amount of \$7,710,750 payable over 20 years at an interest rate of 0.95% per annum. The remaining share of cost of these projects including the cost of the Lift Station "N" Force Main project will be paid by the District or through grants and/or loans the District can secure, which is currently projected to be \$1.54 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF NET POSITION

	August 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,455,010	\$ 3,864,527
Accounts receivable - customers (Net of allowance for bad debts of \$81,626 & \$78,196 for 2016 and 2015, respectively)	846,591	794,739
Inventory	92,688	65,963
Prepaid insurance	6,360	8,970
Total current assets	5,400,649	4,734,199
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents - customer deposits	187,375	175,508
Cash and cash equivalents - debt service (Note 5)	322,749	173,415
Total restricted assets	510,124	348,923
Capital assets (Note 4):		
Buildings and improvements	410,650	412,162
Furniture and fixtures	10,858	22,357
Equipment	533,781	535,845
Vehicles	291,353	245,161
Lines, mains and manholes	18,296,849	17,205,513
Lift station - pumps	1,927,961	1,964,971
Lift station - structures	2,352,794	2,277,117
Treatment plant	2,264,264	2,264,264
Treatment plant - Sparta water reuse project	1,104,279	1,104,279
Treatment plants - received from WOSD #16	89,310	-
Total	27,282,099	26,031,669
Less: Accumulated depreciation	(16,570,660)	(15,356,197)
Net depreciable assets	10,711,439	10,675,472
Construction in progress	193,805	4,790
Land	434,878	434,878
Total capital assets	11,340,122	11,115,140
Total noncurrent assets	11,850,246	11,464,063
Total assets	17,250,895	16,198,262
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Pensions	206,500	83,665

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

	<u>August 31,</u>	
	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Accounts and retainage payable	\$ 423,469	\$ 490,565
Accrued payroll and benefits	9,217	14,966
Due to other governments - current (Note 5)	29,500	29,500
Total payable from current assets	<u>462,186</u>	<u>535,031</u>
Payable from restricted assets:		
Customer deposits	187,375	175,508
Bonds payable / current (Note 5)	91,000	90,000
Accrued interest payable	7,756	8,248
Total payable from restricted assets	<u>286,131</u>	<u>273,756</u>
Total current liabilities	<u>748,317</u>	<u>808,787</u>
Noncurrent liabilities:		
Bonds payable (Note 5)	1,472,000	1,563,000
Due to other governments - long term (Note 5)	479,500	509,000
Other post employment benefits payable	245,370	190,409
Net pension liability	162,294	16,862
Total noncurrent liabilities	<u>2,359,164</u>	<u>2,279,271</u>
Total liabilities	<u>3,107,481</u>	<u>3,088,058</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	<u>35,077</u>	<u>9,138</u>
NET POSITION		
Net investment in capital assets	9,268,122	8,923,640
Restricted net position - debt service	314,993	165,167
Unrestricted net position	<u>4,731,722</u>	<u>4,095,924</u>
Total net position	<u>\$ 14,314,837</u>	<u>\$ 13,184,731</u>

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

	August 31,	
	2016	2015
OPERATING REVENUES		
Sewerage fees	\$ 4,156,635	\$ 4,018,109
Inspection fees	22,800	13,100
New connection fees	4,400	2,300
Miscellaneous	5,026	1,055
Total operating revenues	4,188,861	4,034,564
OPERATING EXPENSES		
Advertising	118	479
Bad debt expense	3,430	44,778
Collection expense	101,908	90,000
Commissioners' fees	2,100	2,160
Depreciation and Amortization (Note 4)	823,026	740,455
Dues and subscriptions	648	556
Gas and oil	26,355	24,678
Insurance	139,941	127,324
Maintenance and repairs	477,664	337,003
Miscellaneous	2,906	-
Office expense	12,217	11,768
Other post employment benefits	54,961	51,081
Payroll taxes	4,917	4,667
Pension and retirement expense	97,838	39,920
Postage	1,024	1,235
Professional fees	195,248	95,494
Salaries and wages	385,859	360,058
Telephone	9,325	8,660
Travel	2,338	726
Treatment plant operations	1,271,947	1,218,111
Utilities	170,084	151,745
Total operating expenses	3,783,854	3,310,898
Operating income (loss)	405,007	723,666

(Continued)

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

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

	August 31,	
	2016	2015
NONOPERATING REVENUES (EXPENSES)		
Capital grants	93,935	-
Interest earned	4,496	3,902
Franchise fees	24,403	26,915
Loss on disposition of assets	(17,016)	-
Interest expense	(27,930)	(31,293)
Total Non-operating income	<u>77,888</u>	<u>(476)</u>
Income (loss) before contributions	482,895	723,190
Capital contributions - developers	<u>111,952</u>	<u>-</u>
Changes in net position	594,847	723,190
Net position at beginning of year, as originally stated	<u>13,184,731</u>	<u>12,412,607</u>
Prior period adjustment	-	48,934
Net position at beginning of year, restated	<u>13,184,731</u>	<u>12,461,541</u>
Adjustment due to merger (Note 15)	535,259	-
Net position at beginning of year, post merger	<u>13,719,990</u>	<u>12,461,541</u>
Net position at end of year	<u>\$ 14,314,837</u>	<u>\$ 13,184,731</u>

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

	August 31,	
	2016	2015
Cash flows from operating activities		
Receipts from customers	\$ 4,143,850	\$ 4,019,729
Other revenue	5,026	1,055
Payment to suppliers	(2,509,090)	(1,812,608)
Payment for employee services	(447,927)	(419,982)
Net cash provided by operating activities	1,191,859	1,788,194
Cash flows from noncapital financing activities		
Franchise fee	24,403	26,915
Net cash provided by noncapital financing activities	24,403	26,915
Cash flows from capital and related financing activities		
Purchase of capital assets	(411,724)	(993,852)
Cash received from capital grant	93,935	-
Proceeds from issuance of bonds	-	268,043
Principal paid on bonds	(119,500)	(118,000)
Interest paid on bonds	(31,785)	(32,474)
Net cash used by capital and related financing activities	(469,074)	(876,283)
Cash flows from investing activities		
Interest received	4,496	3,902
Net cash provided by investing activities	4,496	3,902
Net Increase (Decrease) in Cash and Cash Equivalents	751,684	942,728
Cash and Cash Equivalents at Beginning of Year	4,213,450	3,270,722
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,965,134	\$ 4,213,450

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

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

	August 31,	
	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 405,007	\$ 723,666
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	823,026	740,455
Bad debts	3,430	44,778
Accounts receivable	(51,853)	(28,103)
Inventories	(26,724)	4,309
Prepaid insurance	2,610	(53)
Accounts payable	(67,096)	250,915
Accrued payroll and benefits	(5,749)	(4,445)
Other post employment benefits	54,961	51,081
Pension liability adjustments	48,536	(8,732)
Merger adjustments	(6,156)	
Customer deposits	11,867	14,323
Net cash provided by operating activities	\$ 1,191,859	\$ 1,788,194
Cash and cash equivalents on the balance sheet as		
Current assets		
Cash and cash equivalents	\$ 4,455,010	\$ 3,864,527
Restricted assets		
Cash and cash equivalents	510,124	348,923
TOTAL CASH AND CASH EQUIVALENTS	\$ 4,965,134	\$ 4,213,450
Supplemental Disclosure of Noncash Operating Activities		
Other post-employment benefits	\$ 54,961	\$ 51,081
Supplemental Disclosure of Noncash Capital Investing Activities		
Contribution of sewerage collection system	\$ 111,952	\$ -

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 1 - Summary of Significant Accounting Policies

A. History

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

The District was constructed with an EPA grant, which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

B. Reporting Entity

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

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

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Basis of Accounting

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a

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statement of net position, a statement of activities, and a statement of cash flows. It also requires the classification of net position into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

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

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

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

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

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

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

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

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. The District also recognizes as operating revenues

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the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Residential, multi-housing, and multi-unit services are charged \$30 per month.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Commercial services was charged \$3 per 1,000 gallons of water per month (metered water usage - \$30 minimum bill)
3. Institutional billing is based on monthly water use at \$30 per 8,000 gallons used.
4. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

The District provided services to 9,137 residential customers and 467 institutional and industrial customers at August 31, 2016.

D. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of receivables that are expected to be unrecoverable. Losses are charged against the allowance when management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2016 and 2015, the allowance for doubtful accounts was \$81,626 and \$78,196, respectively.

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

E. Inventory

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

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F. Property and Equipment

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

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

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

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

G. Statements of Cash Flows

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

H. Compensated Absences

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

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

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Employees accrue sick leave as follows:

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

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

I. Use of Estimates

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

J. Reclassifications

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

K. Government Merger

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

Note 2 - Cash and Investments

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

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At August 31, 2016, the District has cash and cash equivalents totaling \$4,965,134 as follows:

Demand deposits	\$ 4,965,039
Petty cash	95
Total	<u>\$ 4,965,134</u>

Custodial credit risk - deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposits with the fiscal agent. These securities are held in the name of the pledging fiscal agent in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents at August 31, 2016 are secured as follows:

Bank balances	<u>\$ 4,982,687</u>
Federal deposit insurance	\$ 250,000
Pledged securities	<u>4,733,505</u>
Total	<u>\$ 4,983,505</u>

Note 3 - Accounts Receivable

Accounts receivable consists of the following for the years ended:

	August 31,	
	<u>2016</u>	<u>2015</u>
Receivables billed to customers	\$ 773,869	\$ 715,823
Unbilled revenues	<u>154,348</u>	<u>157,112</u>
Gross accounts receivable	928,217	872,935
Less: allowance for uncollectibles	<u>(81,626)</u>	<u>(78,196)</u>
Net total receivables	<u>\$ 846,591</u>	<u>\$ 794,739</u>

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Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 9/1/2015 (Adjusted)	Additions	Deletions/ Transfers	Balance 8/31/2016
Nondepreciable assets:				
Construction In Progress	\$ 4,790	\$ 189,015	\$ -	\$ 193,805
Land	434,878	-	-	434,878
Total Nondepreciable Assets	439,668	189,015	-	628,683
Depreciable Assets:				
Buildings and Improvements	412,162	-	(1,512)	410,650
Furniture and Fixtures	22,357	-	(11,500)	10,857
Equipment	535,845	18,745	(20,809)	533,781
Vehicles	245,161	46,192	-	291,353
Lines, Mains and Manholes	18,047,233	262,490	(12,874)	18,296,849
Lift Station Pumps	1,966,970	7,167	(46,176)	1,927,961
Lift Station Structures	2,352,794	-	-	2,352,794
Treatment Plant	2,264,264	-	-	2,264,264
Treatment Plant - Sparta	1,104,280	-	-	1,104,280
Treatment Plants - Merger	89,310	-	-	89,310
Total Depreciable Assets	27,040,376	334,594	(92,871)	27,282,099
Less Accumulated Depreciation	(15,823,463)	(823,026)	75,829	(16,570,660)
Net Capital Assets	\$ 11,656,581	\$ (299,417)	\$ (17,042)	\$ 11,340,122
	Balance 9/1/2014	Additions	Deletions/ Transfers	Balance 8/31/2015
Nondepreciable assets:				
Construction In Progress	\$ 2,980	\$ 4,790	\$ (2,980)	\$ 4,790
Land	434,878	-	-	434,878
Total Nondepreciable Assets	437,858	4,790	(2,980)	439,668
Depreciable Assets:				
Buildings and Improvements	412,162	-	-	412,162
Furniture and Fixtures	18,627	3,730	-	22,357
Equipment	499,782	36,063	-	535,845
Vehicles	245,161	-	-	245,161
Lines, Mains and Manholes	16,358,925	843,608	2,980	17,205,513
Lift Station Pumps	1,895,930	105,662	(36,621)	1,964,971
Lift Station Structures	2,277,117	-	-	2,277,117
Treatment Plant	2,264,264	-	-	2,264,264
Treatment Plant - Sparta	1,104,279	-	-	1,104,279
Total Depreciable Assets	25,076,247	989,063	(33,641)	26,031,669
Less Accumulated Depreciation	(14,652,363)	(740,455)	36,621	(15,356,197)
Net Capital Assets	\$ 10,861,742	\$ 253,398	\$ -	\$ 11,115,140

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

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

Depreciation of \$823,026 and \$740,455 was expensed for 2016 and 2015, respectively.

Note 5 - Long-Term Obligations

The following is a summary of long-term obligation transactions for the years ended August 31, 2016 and 2015:

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Long-term Obligations	Balance August 31, 2015	Additions	Deductions	Balance August 31, 2016	Amounts Due Within One Year
Bonds payable	\$ 1,653,000	-	(\$ 90,000)	\$ 1,563,000	\$ 91,000
Due to other governments (see Note 7)	538,500	-	(29,500)	509,000	29,500
OPEB	190,409	54,961	-	245,370	-
Pensions	16,862	173,539	(28,107)	162,294	-
Total	<u>\$ 2,398,771</u>	<u>\$ 200,393</u>	<u>(\$ 119,500)</u>	<u>\$ 2,479,664</u>	<u>\$ 120,500</u>

Long-term Obligations	Balance August 31, 2014	Additions	Deductions	Balance August 31, 2015	Amounts Due Within One Year
Bonds payable	\$ 1,473,957	\$268,043	(\$ 89,000)	\$ 1,653,000	\$ 90,000
Due to other governments (see Note 7)	567,500	-	(29,000)	538,500	29,500
OPEB	139,328	51,081	-	190,409	-
Pensions	-	82,164	(65,302)	16,862	-
Total	<u>\$ 2,180,785</u>	<u>\$ 401,288</u>	<u>(\$ 183,302)</u>	<u>\$ 2,398,771</u>	<u>\$ 119,500</u>

Bonds Payable

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

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

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Year Ending August 31, 2016	Principal Payments	Interest Payments	Total
2017	\$ 91,000	\$ 14,416	\$ 105,416
2018	92,000	13,547	105,547
2019	93,000	12,668	105,668
2020	93,000	11,785	104,785
2021	94,000	10,897	104,897
2022-2026	485,000	40,826	525,826
2027-2031	510,000	17,195	527,195
2032	105,000	499	105,499
Total	\$ <u>1,563,000</u>	\$ <u>121,833</u>	\$ <u>1,684,833</u>

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

“Sewer Revenue Bond Debt Service Fund” - The Series 2011 DEQ Revenue Bonds require the establishment of a “Sewer Revenue Bond Debt Service Fund,” whereby monthly transfers will be made into the account on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of August 31, 2016, the balance in the Sewer Revenue Bond Debt Service Fund was \$92,274.

“Sewer Revenue Bond Debt Service Reserve Fund” - The agreement for the Series 2011 DEQ bond provides that at least 20% of the reserve fund requirement be transferred into the reserve fund each bond year, so that the reserve fund is fully funded no later than five years after the delivery date. As of August 31, 2016, the balance in the Sewer Revenue Bond Debt Service Reserve Fund was \$53,164.

“Depreciation and Contingency Fund” - The agreement for the 2011 DEQ bond provides that, on or before the 20th day of each month of each year, a sum equal to five (5%) of the preceding month’s Net Revenues shall be transferred to this account, provided that such sum is available. Payments in this fund shall continue until such time as \$500,000 has accumulated in this fund, whereby such payments may cease and need be resumed only if the total amount of money on deposit is reduced below \$500,000. As of August 31, 2016, the balance in the Depreciation and Contingency Fund was \$177,311.

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Note 6 - Long-Term Leases

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contained a renewal option for one additional 15 year term, which was renewed on August 1, 2009. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$1,198,341 and \$1,218,111 for the years ended August 31, 2016 and 2015, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease. The District did not incur any capital upgrading costs for the years ended August 31, 2016 and 2015. The cumulative cost of capital upgrading includes a long-term liability to the City of West Monroe as described in Note 7.

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

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

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

Year Ending August 31, 2016	Principal Payments	Interest Payments	Total
2017	\$ 29,500	\$ 7,167	\$ 36,667
2018	30,000	6,735	36,735
2019	30,000	6,300	36,300
2020	30,500	5,862	36,362
2021	31,000	5,416	36,416
2022-2026	158,000	20,264	178,264
2027-2031	166,000	8,532	174,532
2032	34,000	247	34,247
Total	<u>\$ 509,000</u>	<u>\$ 60,523</u>	<u>\$ 569,523</u>

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Note 8 - Commissioners' Fees

The members of the Board of Commissioners are paid \$60 per regular meeting and \$25 per special meeting. Amounts due to board members for meetings attended during the year ended August 31, 2016 were as follows:

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

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

Note 9 - Franchise Fee

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$24,403 and \$26,915 for the years ended August 31, 2016 and 2015, respectively.

Note 10 - Parochial Employees' Retirement System of Louisiana

Plan Description

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

Benefits Provided

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

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

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

1. Survivor Benefits

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

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

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

2. Deferred Retirement Option Program (DROP)

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

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

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

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in

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

3. Disability Benefits

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

Cost of Living Increases

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

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2015, the actuarially determined contribution rate was 10.40% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2014 was 14.50%.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

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

At August 31, 2016, the Employer reported a liability of \$162,294 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2015 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Agency's proportion was 0.06166%, which was an decrease of 0.000017% from its proportion measured as of December 31, 2014. For the year ended August 31, 2016, the Agency recognized pension expense of \$23,897.

At August 31, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,793
Changes in assumptions	\$ 36,162	\$ -
Net difference between projected and actual earnings on pension plan	\$ 148,503	
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 33	\$ 9,284
Employer contributions subsequent to the measurement date	\$ 21,802	\$ -
Total	\$ 206,500	\$ 35,077

\$21,802 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended August 31:

2017	\$ 41,953
2018	\$ 41,953
2019	\$ 44,436
2020	\$ 30,563

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2015, the valuation date, are as follows:

Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years
Investment rate of return	7.00% net of investment expenses
Projected salary increases	5.75% (2.75% Merit/3.00% Inflation)
Cost-of-living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present value do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of August 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	34%	1.06%
Equity	51%	3.56%
Alternatives	12%	0.74%
Real Assets	3%	0.19%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.55%

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

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Employer's proportionate share of the Net Pension

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Obligation would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1.0% Decrease (6.00%)	Current Discount Rate (7.00%)	1.0% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 406,605	\$ 162,294	\$ (44,179)

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Agency recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended August 31, 2016, the Agency recognized revenue as a result of support received from non-employer contributing entities of \$4,486 for its participation in PERS.

Payables to the Pension Plan

At August 31, 2016, the District had \$5,291 and \$3,386 payable to the pension plan for employer and member contributions, respectively. The payable is based on the legally required contributions by the District and members and is derived from the payroll period ended August 31, 2016.

Note 11 - Other Postemployment Benefits Plan

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

Funding Policy. The contribution requirements of the plan members and the District are established and may be amended by the District. Retirees are required to pay 23% of the medical premiums charged by the Office of Group Benefits. Retirees pay the full cost of dental and vision benefits. For the fiscal year 2016, the District did not have any retirees covered under the Plan, so no contributions were made to the Plan.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

	August 31,	
	2016	2015
Annual Required Contribution	\$56,358	\$51,824
Interest on Net OPEB Obligation	\$4,951	\$3,901
Adjustment to Annual Required Contribution	(\$6,348)	(\$4,644)
Annual OPEB Cost (Expense)	\$54,961	\$51,081
Contributions Made	\$0	\$0
Increase in Net OPEB Obligation	\$54,961	\$51,081
Net OPEB Obligation – beginning of year	\$190,409	\$139,328
Net OPEB Obligation – end of year	\$245,370	\$190,409

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
8/31/2014	\$51,354	0.0%	\$139,328
8/31/2015	\$51,081	0.0%	\$190,409
8/31/2016	\$54,961	0.0%	\$245,370

Funded Status and Funding Progress. As of 8/31/2016, the actuarial accrued liability for benefits was \$332,221, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$356,418, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 93.2%

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 12 - Related Party Transactions

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation, and group health insurance policies through the Police Jury. During 2016 and 2015 the District paid the Police Jury \$138,909 and \$127,324, respectively, for this coverage.

Note 13 - Risk Financing Activities

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage, and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate general liability coverage of \$3,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had \$5,053,794 and \$5,956,897 in net position as of December 31, 2016 and 2015, respectively. The District contributed \$61,595 and \$50,913 into the fund during the years ended August 31, 2016 and 2015, respectively.

Note 14 - Concentrations of Risk

Accounts receivable primarily represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$30 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect approximately \$740,842 after applying the security deposits of \$187,375.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 15 - Government Merger

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

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

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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

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

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

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

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

Note 16 – Subsequent Events

The Board of Commissioners authorized an increase in monthly sewer rates for residential and commercial customers at its November 14, 2016 meeting. The increase was implemented to provide sewerage service within the expanded boundaries of the District, to enlarge the capacity of the District's sewer collection system, and to eliminate as many package sewer treatment plants as feasible. The increase will begin February 1, 2017 and increases residential rates from \$30 to \$45 per month per residential unit and increases commercial rates from \$3.00 to \$4.50 per 1,000 gallons of water usage per month (metered water usage) with a minimum commercial connection fee of \$45.00 per month.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

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

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
08/31/16	09/01/15	\$ -	\$ 332,221	\$ 332,221	0.0%	\$ 356,418	93.2%
08/31/15	09/01/14	\$ -	\$ 281,416	\$ 281,416	0.0%	\$ 340,747	82.6%
08/31/14	09/01/13	\$ -	\$ 281,416	\$ 281,416	0.0%	\$ 336,962	83.5%

West Ouachita Sewerage District No.5
Schedule of Employer's Proportionate Share of Net Pension Liability
For the Year Ended August 31, 2016
(Unaudited)

Parochial Employees' Retirement System of Louisiana

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

**West Ouachita Sewerage District No. 5
Schedule of Employer Contributions
For the Year Ended August 31, 2016
(Unaudited)**

Parochial Employees Retirement System of Louisiana

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

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

**Notes to Required Supplementary Information
For the Year Ended August 31, 2016**

Changes of Benefit Terms include:

There were no changes in benefit terms for the year ended August 31, 2016

Changes of Assumptions

The investment rate of return and the discount rate was changed from 7.25% to 7.00%

The projected salary increases was changed from 5.75% to 5.25%

OTHER SUPPLEMENTAL INFORMATION

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

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

	2015				
	Customer Deposits	Bond and Interest Redemption	Revenue Bond Reserve	Depreciation and Contingency	Total
Balance - September 1, 2014	\$ 161,185	\$ 275,359	\$ 53,058	\$ 13,854	\$ 503,456
Add:					
Transfers/adjustments	14,190	(177,076)	-	8,033	(154,853)
Interest earned	133	115	53	19	320
Total funds available	<u>175,508</u>	<u>98,398</u>	<u>53,111</u>	<u>21,906</u>	<u>348,923</u>
Less:					
Bank service fees	-	-	-	-	-
BALANCE - AUGUST 31, 2015	<u>\$ 175,508</u>	<u>\$ 98,398</u>	<u>\$ 53,111</u>	<u>\$ 21,906</u>	<u>\$ 348,923</u>

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED AUGUST 31, 2016**

Agency Head Name: Terry Cox, District Manager

Purpose	Amount
Salary	\$77,862
Benefits-insurance	\$4,899
Benefits-retirement	\$13,720
Benefits-basic life insurance	\$66
Vehicle provided by government	\$703
Registration fees	\$328

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 2016
(Unaudited)

Property or Risk and Insurance Company	Kind of Insurance and Term	Maximum Coverage	
Employees Safety National Casualty Corporation	Workmen's Compensation Employer's Liability 1/1/16 to 1/1/17	Statutory	*
Multi-Peril Traveler's Indemnity Company	Comprehensive General Liability 1/1/16 to 1/1/17	\$3,000,000 - Aggregate \$1,000,000 - Per Occurrence	*
Vehicles Atlantic Specialty Insurance Company	Auto Liability 1/1/16 to 1/1/17	Combined Single Limit \$1,000,000	*
3 Commissioners and All Employees Atlantic Specialty Insurance Company	Fidelity Bond 1/1/16 to 1/1/17	\$100,000 Per Occurrence \$1,000 Deductible	*

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 12, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

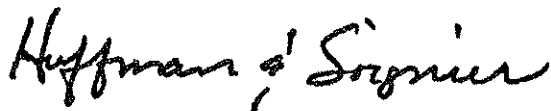
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

The District's Response to Findings

The District's response to the findings identified in our 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, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

April 12, 2017

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016**

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

Criteria or Specific Requirement

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

Conditions Found

During our test of commercial billings, we reviewed various fiscal 2016 billing charge registers (charge reports) provided to the District by the billing company and noted several exceptions. Although we did not identify any material errors, we did note instances where the amounts billed to customers did not match the consumption/usage listed on the same charge reports. In many cases, the consumption listed on the charge reports related to billings from an entirely different month's charge report. In a few cases, billings could not be tied to usage from any charge reports, and the billing company could not justify these discrepancies. However the billing company was able to, over the course of several months, provide support to resolve many of the inconsistencies, generally by means of providing a billing history detail.

In addition, from review of charge reports, we noted that some commercial users were incorrectly classified as residential, and vice versa.

Cause

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

Effect

Both commercial and residential customers could be overcharged or undercharged if billings are based on inaccurate consumption/usage information. In addition, large billing errors could occur since commercial customers are billed based on consumption while residential customers are billed at a flat monthly rate. For example, a commercial customer incorrectly classified as residential could consume a substantial amount of monthly usage and be significantly under billed at a flat rate. Conversely, a residential customer incorrectly classified as commercial could be substantially over billed based on usage instead of a flat rate.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016**

Recommendations to Prevent Future Occurrences

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

Management's Corrective Action Plan

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

2016-002 Timely Filing of Audit Report

Criteria or Specific Requirement

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

Conditions Found

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

Cause

At its July 5, 2016 meeting, the Ouachita Parish Police Jury (Police Jury) passed an ordinance altering the boundaries of the District to encompass the area constituting West Ouachita Sewerage District No. 16 (District No. 16) and abolishing said District No. 16. On August 4, 2016, the District officially received the assets and operations of District No. 16 and, as a result, was required to account for such as a merger for the year ended August 31, 2016. However, the Police Jury encountered substantial difficulties in providing financial statements for District No. 16 as of August 31, 2016, due to a subdivision that had been carried on District No. 16's books but was not going to be included in the merger. To correct this, the Police Jury had to go back several accounting periods and remove the assets and operations related to this subdivision from District No. 16's books in order to provide materially correct financials. This process was extremely time-consuming for the Police Jury; therefore, the revised financial statements for District No. 16 were not provided to the District until March 1, 2017—a day after the due date for the audit report. As such, this did not allow time for the auditors to perform audit procedures on the acquired merger assets and operations

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016**

until after the due date.

Additionally, audit procedures were further delayed due to untimely responses from the contracted billing company with respect to the issues mentioned in Finding 2016-001 above.

The combination of the delayed District No. 16 financials and untimely responses from the billing company resulted in delayed auditing procedures, many that could not be performed until after February 28, 2017, which was the deadline for the audited financial statements.

Effect

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

Recommendations to Prevent Future Occurrences

In the event that a future merger occurs, we recommend the District communicate with the Police Jury promptly to ensure that the accounting records for the donated district(s) are received in a timely manner to allow the District sufficient time to incorporate the operations of the merged district into the operations of the District. Additionally, as mentioned in Finding 2016-001, we recommend the District review the reports received from the billing company for errors and communicate any issues detected to the billing company on a monthly basis. This will ensure that errors are addressed and corrected prior to fiscal year end and that future audits can be completed and submitted to the Legislative Auditor within the prescribed time period.

Management's Corrective Action Plan

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

2016-003 Payroll Records

Criteria or Specific Requirement

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

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016**

Conditions Found

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

Cause

A key recordkeeping employee retired from the District in fiscal year 2016, which exacerbated an already weak payroll recordkeeping system.

Effect

The District does not have an adequate payroll recordkeeping system whereby each employee's timesheet is signed by the employee and approved by the supervisor. The District does not have adequate records to support accrued vacation and sick leave.

Recommendations to Prevent Future Occurrences

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

Management's Corrective Action Plan

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

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016**

The following is a summary of the status of the prior year finding included in Huffman & Soignier's (APAC) audit report dated February 29, 2016 of West Ouachita Sewerage District No. 5 as of and for the year ended August 31, 2015.

2015-01 Compliance with Debt Service Requirements

Finding:

The District miscalculated the required monthly deposits for its 2011 Department of Environmental Quality \$1.98MM Revenue Bonds Depreciation and Contingency Fund (the Fund) due to errors in calculating the preceding month's net revenues. This resulted in the Fund being underfunded by approximately \$99,000 with foregone interest of approximately \$100, as of August 31, 2015. The underfunding of this account resulted in noncompliance with the terms of the underlying bond covenant.

Status:

Immediately upon discovering the error, we recalculated the proper amount, along with the lost interest, and made a deposit to reinstate the Fund to the required balance. As of August 31, 2016, the account was adequately funded.

2015-02 Posting of Debt Proceeds

Finding:

The District made the final draw on its 2011 Department of Environmental Quality (DEQ) \$1,918,000 Revenue Bonds of approximately \$268,000 during fiscal year 2015. During our review of capital assets, we discovered that this draw was incorrectly posted as a credit to capital assets (i.e., lines, mains & manholes). However, it should have been credited to bonds payable. This caused capital assets (i.e., lines, mains & manholes) to be understated by \$268,000 and bonds payable to be understated by \$268,000.

Status:

During fiscal year 2016, our consultant CPA reviewed the general ledger to ensure that postings and classifications were correct and reasonable.

2015-03 Recording of Capital Assets and Maintenance and Repairs

Finding:

During our review of capital asset additions and maintenance and repairs expenses for fiscal year 2015, we encountered a large number of transactions that were incorrectly classified. The majority of the misclassifications were mostly due to incorrect coding of invoices.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016**

Status:

During fiscal year 2016, our consultant CPA reviewed the general ledger to ensure that postings and classifications were correct and reasonable.