

**WEST VERNON PARISH  
WATERWORKS DISTRICT**  
Anacoco, Louisiana

Financial Report

Year Ended December 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

\* A Professional Accounting Corporation

The Board of Commissioners  
West Vernon Parish Waterworks District  
Anacoco, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West Vernon Parish Waterworks District, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Vernon Parish Waterworks District's basic financial statements. The comparative statements and various schedules included in the supplementary information are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The comparative statements 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 comparative statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The prior year comparative amounts included in this information have been derived from the District's 2015 financial statements, which was subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, was fairly presented in all material respects in relation to the basic financial statements from which they were derived. The various schedules included in the supplementary information have 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 June 22, 2017, on our consideration of the West Vernon Parish Waterworks 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.

***Kolder, Champagne, Slaven & Company, LLC***

Certified Public Accountants

Oberlin, Louisiana  
June 22, 2017

## **BASIC FINANCIAL STATEMENTS**

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Statement of Net Position  
December 31, 2016

ASSETS

Current assets:	
Cash and cash equivalents	\$ 263,800
Accounts receivable, net	58,138
Ad valorem tax receivable	<u>63,603</u>
Total current assets	<u>385,541</u>
Restricted assets -	
Revenue bond reserve account	195,858
Revenue bond contingency account	261,037
Customer deposits	<u>47,975</u>
Total restricted assets	<u>504,870</u>
Capital assets, net	<u>4,650,722</u>
Total assets	<u>5,541,133</u>

LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	5,460
Accrued liabilities	2,354
Salaries payable	7,030
Other liabilities	<u>9,707</u>
Total current liabilities (payable from current assets)	<u>24,551</u>
Current liabilities (payable from restricted assets):	
Customer deposits	47,975
Accrued interest on bonds	14,568
Current portion of long term debt	<u>89,029</u>
Total current liabilities (payable from restricted assets)	<u>151,572</u>
Total current liabilities	<u>176,123</u>
Noncurrent liabilities:	
Certificates of indebtedness payable	26,000
Revenue bonds payable	<u>3,556,274</u>
Total noncurrent liabilities	<u>3,582,274</u>
Total liabilities	<u>3,758,397</u>

NET POSITION

Net investment in capital assets	979,419
Restricted for debt service	442,327
Unrestricted	<u>360,990</u>
Total net position	<u>\$ 1,782,736</u>

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

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2016

Operating revenues:	
Charges for services -	
Water sales	\$ 611,188
Installation and service fees	14,462
Other fees	<u>26,609</u>
Total operating revenues	<u>652,259</u>
Operating expenses:	
Advertising and promotion	3,267
Salaries and related benefits	194,076
Operation of plant	170,541
Depreciation	<u>182,203</u>
Total operating expenses	<u>550,087</u>
Operating income	<u>102,172</u>
Nonoperating revenues (expenses):	
Ad valorem taxes	60,542
State revenue sharing	15,558
Interest income	20
Interest expense	<u>(185,312)</u>
Total nonoperating revenues (expenses)	<u>(109,192)</u>
Change in net position	(7,020)
Net position, beginning	<u>1,789,756</u>
Net position, ending	<u>\$1,782,736</u>

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

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Statement of Cash Flows  
Year Ended December 31, 2016

Cash flows from operating activities:	
Receipts from customers	\$ 621,617
Payments to suppliers	(174,696)
Payments to employees and related costs	(194,035)
Other receipts	<u>26,609</u>
Net cash provided by operating activities	<u>279,495</u>
Cash flows from noncapital financing activities:	
Ad valorem taxes	57,457
State revenue sharing	15,558
Increase in meter deposits, net	<u>775</u>
Net cash provided by noncapital financing activities	<u>73,790</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(85,077)
Interest paid on long-term debt	(185,640)
Acquisition and construction of capital assets	<u>(50,678)</u>
Net cash used by capital and related financing activities	<u>(321,395)</u>
Cash flows from investing activities:	
Interest income	<u>20</u>
Net increase in cash and cash equivalents	31,910
Cash and cash equivalents, beginning of period	<u>736,760</u>
Cash and cash equivalents, end of period	<u>\$ 768,670</u>

(continued)



WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Statement of Cash Flows (Continued)  
Year Ended December 31, 2016

Reconciliation of operating income to net cash  
provided by operating activities:

Operating income	\$ 102,172
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	182,203
(Increase) decrease in operating assets -	
Accounts receivable	(4,033)
Increase (decrease) in operating liabilities -	
Accounts payable	(704)
Accrued liabilities	(2,573)
Salaries payable	41
Other liabilities	<u>2,389</u>
Net cash provided by operating activities	<u>\$ 279,495</u>

Cash and cash equivalents reported on statement of net position as:

Cash and cash equivalents, beginning of period -	
Current	\$ 243,321
Restricted	<u>493,439</u>
	<u>\$ 736,760</u>
Cash and cash equivalents, end of period -	
Current	\$ 263,800
Restricted	<u>504,870</u>
	<u>\$ 768,670</u>
Net increase	<u>\$ 31,910</u>

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

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of West Vernon Parish Waterworks District (District) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The District was created in 2002 under the provisions of Louisiana Revised Statutes 33:3811-3837, for the purpose of providing water service to the rural western portion of Vernon Parish. The District is governed by a board of commissioners composed of five members appointed by the Vernon Parish Police Jury.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because the Vernon Parish Police Jury appoints the District's governing body, the District was determined to be a component unit of the Vernon Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vernon Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

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

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market.

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any. There was no allowance recorded at December 31, 2016 due to immateriality.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

The District also has major receivable balances for ad valorem taxes. This receivable is reported net of an allowance for uncollectible accounts. There was no allowance recorded at December 31, 2016 due to immateriality

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Plant and Distribution System	40 years
Buildings	25 years
Equipment and Vehicles	5-7 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources at December 31, 2016 .

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has no deferred inflows of resources at December 31, 2016.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- a. Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the District's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in November and are actually billed to the taxpayers in December. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Tax revenues are recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of Vernon Parish and are collected by the Sheriff. The taxes are remitted to the West Vernon Parish Waterworks District net of deductions for Pension Fund Contributions.

For the year ended December 31, 2016, taxes of 10 mills were levied on property with net assessed valuations totaling \$6,051,773 and were dedicated to paying the operations and maintenance costs of the District. Total taxes levied during 2016 were \$60,518. Taxes receivable at December 31, 2016 totaled \$63,603.

(3) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2016, the District had cash and cash equivalents (book balances) totaling \$768,670.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties.

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Deposit balances (bank balances) at December 31, 2016, are as follows:

Bank balances	<u>\$ 768,248</u>
At December 31, 2016, bank balances are secured as follows:	
Federal deposit insurance	250,000
Uninsured and collateral held by the pledging bank, not in the District's name	<u>518,248</u>
Total	<u>\$ 768,248</u>

Deposits in the amount of \$518,248 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name. The District does not have a policy for custodial credit risk. The District follows state law regarding its deposits and investments; however, it has not adopted a formal deposit and investment policy.

(4) Receivables

Receivables at December 31, 2016 of \$58,138 consisted of the following:

Accounts, net	\$ 41,880
Unbilled water	<u>16,258</u>
Total	<u>\$ 58,138</u>

(5) Restricted Assets

Restricted assets consisted of the following at December 31, 2016:

Revenue bond reserve account	\$ 195,858
Revenue bond contingency account	261,037
Customer deposits	<u>47,975</u>
Total restricted assets	<u>\$ 504,870</u>

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(6) Capital Assets

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

	Beginning Balance <u>1/1/2016</u>	Increases	Decreases	Ending Balance <u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 72,512	\$ -	\$ -	\$ 72,512
Capital assets being depreciated:				
Buildings	67,958	-	-	67,958
Equipment and vehicles	78,257	24,778	-	103,035
Water distribution system	<u>6,782,822</u>	<u>25,900</u>	<u>-</u>	<u>6,808,722</u>
Total capital assets	<u>7,001,549</u>	<u>50,678</u>	<u>-</u>	<u>7,052,227</u>
Less accumulated depreciation for:				
Buildings	12,935	2,763	-	15,698
Equipment and vehicles	44,671	9,760	-	54,431
Water distribution system	<u>2,161,696</u>	<u>169,680</u>	<u>-</u>	<u>2,331,376</u>
Total accumulated depreciation	<u>2,219,302</u>	<u>182,203</u>	<u>-</u>	<u>2,401,505</u>
Capital assets, net	<u>\$ 4,782,247</u>	<u>\$ (131,525)</u>	<u>\$ -</u>	<u>\$ 4,650,722</u>

Depreciation expense included in the financial statements for 2016 totaled \$182,203.

(7) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2016:

Long-term debt payable at December 31, 2015	\$ 3,756,380
Long-term debt issued	-
Long-term debt retired	<u>(85,077)</u>
Long-term debt payable at December 31, 2016	\$ 3,671,303
Less portion of long-term debt due within one year	<u>(89,029)</u>
Portion of long-term debt due in more than one year	<u>\$ 3,582,274</u>



WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Long-term debt payable at December 31, 2016, is composed of the following issues:

\$3,579,000 Water Revenue Bonds, Note #91-01, issued February 2, 2001, due in monthly installments of \$17,511 over forty years starting August 2001 through July 2041; interest at 5.00 percent	\$ 2,935,088
\$795,900 Water Revenue Bonds, Note #91-03, issued February 2, 2001, due in monthly installments of \$3,876 over forty years starting March 2001 through February 2041; interest at 5.0 percent	640,834
\$73,906 Water Revenue Bonds, Note #91-05, issued February 2, 2011 to reschedule delinquencies on Note #91-05, due in monthly installments of \$366 over 443 months through February 2041; interest at 5.0 percent	61,381
\$80,000 Certificates of Indebtedness, Series 2012, issued December 15, 2011, due in ten annual installments of \$7,000-9,000 starting December 2011 through December 2020; interest from 1 - 4.85 percent	<u>34,000</u>
	<u>\$ 3,671,303</u>

The annual requirement to amortize all debt outstanding at December 31, 2016, is as follows:

	Principal	Interest	Total
2017	89,029	181,427	270,456
2018	93,175	176,989	270,164
2019	98,533	172,324	270,857
2020	103,114	167,361	270,475
2021	98,929	162,109	261,038
2022 - 2026	575,944	729,240	1,305,184
2027 - 2031	739,142	566,042	1,305,184
2032 - 2036	948,584	356,598	1,305,182
2037 - 2041	924,853	92,186	1,017,039
Total	<u>\$ 3,671,303</u>	<u>\$ 2,604,276</u>	<u>\$ 6,275,579</u>

(8) Flow of Funds; Restrictions on Use – Utility Revenues

Under the terms of the bond indentures for Notes 91-01, 91-03, and 91-05, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Each month there will be set aside into a “Debt Service Reserve Fund” an amount equal to five (5) percent of the annual payment of all notes. This monthly deposit should continue until the balance in the reserve fund reaches the total of one annual installment of all notes.

Funds will also be set aside into a “Depreciation and Contingency Fund” to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system, by transferring from the operation account an initial deposit of \$26,250 prior to loan closing and a monthly deposit of \$888 in perpetuity for the life of all loans.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The West Vernon Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2016.

(9) Compensation, Benefits and Other Payments to President

A detail of compensation, benefits, and other payments made to Roger Smart, President, for the year ended December 31, 2016 follows:

Purpose	Amount
Salary	\$ 720

(10) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended December 31, 2016.

Commissioner	Compensation
Roger Smart	\$ 720
John Burns	720
Joseph Smith	720
Sherry Marze	540
Kim L. Beavers - September thru December	180
Mary Branch - January thru August	-
	\$ 2,880

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(11) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year, nor have settlements exceeded coverage for the past three years.

(12) Pending Litigation

There was no litigation pending against the West Vernon Parish Waterworks District at December 31, 2016.

**SUPPLEMENTARY INFORMATION**

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2016

Records maintained by the West Vernon Parish Waterworks District indicated the following number of customers were being serviced during the month of December 2016:

Residential	1,322
Commercial	<u>10</u>
	<u>1,332</u>

The water rates of the District are as follows:

Residential rates:

\$23.00 per month for the first 2,000 gallons, then  
\$ 5.00 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:

\$69.00 per month for the first 10,000 gallons, then  
\$ 5.00 per 1,000 gallons or part thereof over 10,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

The aging of accounts receivable is as follows:

Current	\$ 34,873
0 - 30 days	6,108
31 - 60 days	571
Over 60 days	<u>328</u>
Total	<u>\$ 41,880</u>

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Schedule of Insurance in Force  
(Unaudited)  
December 31, 2016

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Employee Fidelity Bond	\$ 1,000,000	Employee theft	07/01/18
General Liability	\$ 1,000,000	Each occurrence	11/14/17
	\$ 100,000	Damage to rented premises/occurrence	
	\$ 1,000,000	Personal injury	
	\$ 3,000,000	General aggregate	
Property and Inland Marine Coverage	\$ 100,000	Flood	11/14/17
	\$ 100,000	Earthquake	
Commercial Auto Coverage	\$ 1,000,000	Liability	11/14/17
	\$ 1,000,000	Uninsured motorist	
	\$ 5,000	Medical payments	
Workers Compensation	\$ 100,000	Bodily injury by each accident	11/14/17
	\$ 500,000	Bodily injury by disease policy limit	
	\$ 100,000	Bodily injury by disease each employee	
Commercial Excess Liability	\$ 100,000	Each occurrence	11/14/17
Crime Coverage	\$ 100,000	Various Theft	11/14/17

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Comparative Statements of Net Position  
December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 263,800	\$ 243,321
Accounts receivable, net	58,138	54,105
Ad valorem tax receivable	63,603	60,518
Total current assets	<u>385,541</u>	<u>357,944</u>
Restricted assets -		
Revenue bonds reserve account	195,858	261,037
Revenue bonds depreciation and contingency account	261,037	185,202
Customer deposits	47,975	47,200
Total restricted assets	<u>504,870</u>	<u>493,439</u>
Capital assets, net	<u>4,650,722</u>	<u>4,782,247</u>
Total assets	<u>5,541,133</u>	<u>5,633,630</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	5,460	6,164
Accrued liabilities	2,354	4,927
Salaries payable	7,030	6,989
Other liabilities	9,707	7,318
Total current liabilities (payable from current assets)	<u>24,551</u>	<u>25,398</u>
Current liabilities (payable from restricted assets):		
Customer deposits	47,975	47,200
Accrued interest on bonds	14,568	14,896
Current portion of long term debt	89,029	85,086
Total current liabilities (payable from restricted assets)	<u>151,572</u>	<u>147,182</u>
Total current liabilities	<u>176,123</u>	<u>172,580</u>
Noncurrent liabilities:		
Certificates of indebtedness payable	26,000	34,000
Revenue bonds payable	3,556,274	3,637,294
Total noncurrent liabilities	<u>3,582,274</u>	<u>3,671,294</u>
Total liabilities	<u>3,758,397</u>	<u>3,843,874</u>
NET POSITION		
Net investment in capital assets	979,419	1,025,867
Restricted for debt service	442,327	431,343
Unrestricted	360,990	332,546
Total net position	<u>\$ 1,782,736</u>	<u>\$ 1,789,756</u>

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2016 and 2015

	2016	2015
Operating revenues:		
Charges for services -		
Water sales	\$ 611,188	\$ 593,245
Installation and service fees	14,462	28,097
Other fees	26,609	19,516
Total operating revenues	652,259	640,858
Operating expenses:		
Advertising and promotion	3,267	3,446
Salaries and related benefits	194,076	194,850
Operation of plant	170,541	183,948
Depreciation	182,203	171,494
Total operating expenses	550,087	553,738
Operating income	102,172	87,120
Nonoperating revenues (expenses):		
Ad valorem taxes	60,542	60,178
State revenue sharing	15,558	8,351
Interest income	20	20
Interest expense	(185,312)	(189,238)
Total nonoperating revenues (expenses)	(109,192)	(120,689)
Loss before contributions	(7,020)	(33,569)
Capital contributions	-	87,878
Change in net position	(7,020)	54,309
Net position, beginning, as restated	1,789,756	1,735,447
Net position, ending	\$1,782,736	\$1,789,756



**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Retired  
Conrad O. Chapman, CPA\* 2006

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

The Board of Commissioners  
West Vernon Parish Waterworks District  
Anacoco, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 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 June 22, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2016-001, 2016-003 and 2016-004 to be material weaknesses.

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 consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2016-002 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2016-005 and 2016-006.

### **West Vernon Parish Waterworks District's Response to Finding**

The District's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

This 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***

Certified Public Accountants

Oberlin, Louisiana  
June 22, 2017

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
For the Year Ended December 31, 2016

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (12/31/16) --						
<u>Internal Control:</u>						
2016-001	Unknown	Due to the small number of employees, the District did not have adequate segregation of duties within the accounting system.		No response is considered necessary.	Shirley Rachal, Office Administrator	N/A
2016-002	2010	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.		The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Shirley Rachal, Office Administrator	N/A
2016-003	2013	The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. It is recommended that the accounts receivable balance per the general ledger should be compared to the accounts receivable balance per the billing system at the end of each month.		The accounts receivable trial balance will be reconciled to the general ledger on a monthly basis.	Shirley Rachal, Office Administrator	12/31/2017

continued

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2016

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (12/31/16) --						
<u>Internal Control:</u>						
2016-004	2013	The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger. Errors or irregularities could be made in the recording of deposits or refunds without being detected in a timely manner. It is recommended that the customer meter deposit detailed listing be compared to the deposit liability balance per the general ledger at the end of each month.		The customer meter deposit detailed listing from the utility system will be reconciled to the general ledger on a monthly basis.	Shirley Rachal, Office Administrator	12/31/2017
<u>Compliance:</u>						
2016-005	2016	LSA-RS 38:2212.1(A)(1)(b) requires that purchases of ten thousand or more, but less than thirty thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations. During the year, the District did not obtain the required quotations prior to the purchase of a vehicle.		The District will adhere to all aspects of the Public Bid Law when making purchases in the future.	Shirley Rachal, Office Administrator	12/31/2017
2016-006	2016	During the year, the District incurred penalties for late filing of sales tax returns throughout the year. It is recommended that the District evaluate its procedures for collecting and remitting sales taxes to ensure the proper amount is collected and remitted as required.		Sales tax returns and sales tax payments will be filed and remitted timely.	Shirley Rachal, Office Administrator	12/31/2017

continued

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2016

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (12/31/15) --						
<u>Internal Control:</u>						
2015-001	Unknown	Due to the small number of employees, the District did not have adequate segregation of duties within the accounting system.	No	See current year finding 2016-001.		
2015-002	2010	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	See current year finding 2016-002.		
2015-003	2013	The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. It is recommended that the accounts receivable balance per the general ledger should be compared to the accounts receivable balance per the billing system at the end of each month.	No	See current year finding 2016-003.		
2015-004	2013	The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger. Errors or irregularities could be made in the recording of deposits or refunds without being detected in a timely manner. It is recommended that the customer meter deposit detailed listing be compared to the deposit liability balance per the general ledger at the end of each month.	No	See current year finding 2016-004.		

WEST VERNON PARISH WATERWORKS DISTRICT  
Anacoco, Louisiana

Board of Commissioners  
December 31, 2016

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Roger Smart	P.O. Box 561 Anacoco, LA 71403	(337) 239-9452
John Burns	158 John Burns Road	(337) 239-2388
Joseph Smith	707 W. Hawthorne Road Leesville, LA 71446	(337) 238-0457
Sherry Maze	111 Virginia Street Anacoco, LA 71403	(337) 789-6279
Mary Branch	215 Mcrae Drive Anacoco, LA 71403	(337) 378-7031
Kim L. Beavers	285 Bourbon Street Anacoco, LA 71403	(337) 208-5212