TECHE-VERMILION FRESH WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2018

CONTENTS

BROUSSARD
POCHÉ, LLP
CERTIFIED PUBLIC ACCOUNTANTS

101 Independence Boulevard | Lafayette, LA 70506
(O) 337.988.4930 | (F) 337.984.2393
www.BroussardPoche.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Teche-Vermilion Fresh Water District
Lafayette, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2018 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 governmental activities and each major fund of Teche-Vermilion Fresh Water District, as of December 31, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, *Accounting for Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 6 and pages 38 through 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 audit was 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 the schedule of compensation, benefits and other payments to agency head in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and related 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 to 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 schedule of compensation, benefits and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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.

Broussard Poche LLP

Lafayette, Louisiana
June 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Teche-Vermilion Fresh Water District's financial performance provides an overview of Teche-Vermilion Fresh Water District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements, which begin on page 10.

I. FINANCIAL HIGHLIGHTS

Teche-Vermilion Fresh Water District's net position increased by $2,589,666 or 5.6% as a result of 2018's operations. The District's net position increased by $2,510,855 or 5.7% as a result of 2017's operations.

Teche-Vermilion Fresh Water District's total revenues were $5,449,624 in 2018, compared to $5,340,731 in 2017, an increase of $108,893 or 2.0%. The District's total revenues were $5,340,731 in 2017 compared to $5,382,728 in 2016, a decrease of $41,998 or 0.8% during the prior year.

Total expenses for Teche-Vermilion Fresh Water District during the year ending December 31, 2018 were $2,859,958 compared to $2,829,876 last year, an increase of $30,082 or 1.1%. The District's total expenses for the year ending December 31, 2017 were $2,829,876 compared to $3,517,519 in 2016, a decrease of $687,643 or 19.5% in the prior year.

II. USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The statement of net position and the statement of activities (pages 10 through 12) provide information about Teche-Vermilion Fresh Water District's activities as a whole and present a longer-term view of Teche-Vermilion Fresh Water District's finances. Fund financial statements start on page 14. These statements tell how the services were financed in the short-term as well as what remains for future spending.

A. REPORTING TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

1. THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Our analysis of Teche-Vermilion Fresh Water District as a whole begins on page 4. One of the most important questions asked about Teche Vermilion Fresh Water District's finances is, "Is Teche-Vermilion Fresh Water District, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about Teche-Vermilion Fresh Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Teche-Vermilion Fresh Water District's net position and the changes in it. The net position, the difference between the assets and deferred outflows and the liabilities and deferred inflows, is one way to measure Teche-Vermilion Fresh Water District's financial position or financial health. Over time, increases or decreases in Teche-Vermilion Fresh Water District's net position are one indicator of whether its financial health is improving or deteriorating.

We report the fund maintained by the Teche-Vermilion Fresh Water District as governmental activities in the statement of net position and the statement of activities.

B. REPORTING TECHE-VERMILION FRESH WATER DISTRICT'S MOST SIGNIFICANT FUNDS

1. FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's General Fund, not the District as a whole.

All of Teche-Vermilion Fresh Water District's expenses are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of Teche-Vermilion Fresh Water District's general operations and the expenses paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future Teche-Vermilion Fresh Water District expenses. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

III. TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

Teche-Vermilion Fresh Water District's total net position increased in the current year from $46,135,083 to $48,724,749. The following reflects the condensed statement of net position as of December 31, 2018, with comparative figures from 2017:

TABLE I
CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	(Restated) 2017
Assets:		
Current assets	$ 34,543,774	$ 34,587,058
Capital assets	16,063,187	13,724,574
Other assets	89,338	-
Deferred outflows of resources	202,215	323,757
Total assets and deferred outflows of resources	$ 50,898,514	$ 48,635,389
Liabilities:		
Current liabilities	$ 562,267	$ 918,345
Long-term liabilities	1,233,686	1,538,147
Total liabilities	$ 1,795,953	$ 2,456,492
Deferred inflows of resources	$ 377,812	$ 43,814
Net position:		
Net investment in capital assets	$ 16,063,187	$ 13,724,574
Unrestricted	32,661,562	32,410,509
Total net position	$ 48,724,749	$ 46,135,083
Total liabilities and net position	$ 50,898,514	$ 48,635,389

The net position of Teche-Vermilion Fresh Water District's governmental activities increased from operations by $2,589,666 or 5.6% in 2018. The net position of the District's governmental activities increased by $2,510,855 or 5.7% in 2017. Unrestricted net assets, the part of net position that can be used to finance Teche-Vermilion Fresh Water District expenses without constraints or other legal requirements, increased $251,053 or 0.8% in 2018. Unrestricted net assets increased $1,329,685 or 4.2% in 2017.

The following table provides a summary of the changes in net position for the year ended December 31, 2018, with comparative figures from 2017:

TABLE II
CONDENSED STATEMENT OF CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenues:		
General revenues –		
Ad valorem taxes	$ 4,906,855	$ 4,950,959
Grants and contributions	134,193	133,838
Investment earnings	394,915	230,047
Loss on disposal of asset	-	(2,187)
Other	13,661	28,074
Total revenues	$ 5,449,624	$ 5,340,731
Expenses:		
General government	$ 2,859,958	$ 2,829,876
Increase in net position from operations	$ 2,589,666	$ 2,510,855
Prior period adjustment (cumulative effect)	(401,574)	-
Increase in net position	$ 2,188,092	$ 2,510,855

During the fiscal year ended December 31, 2018, property tax revenue decreased by $44,104 or approximately 0.9%; investment earnings increased by $164,868 or approximately 71.7% primarily due to mark to market gains in 2018. Other revenues decreased by $14,413 or approximately 51.3%. Expenses increased by $30,082 or approximately 1.1%. During the fiscal year ended December 31, 2017, property tax revenue decreased by $34,475 or approximately 0.7%; investment earnings decreased by $16,843 or approximately 6.8% primarily due to mark to market losses in 2017, and other revenues increased by $10,860 or approximately 63.1%. Expenses decreased by $687,643 or approximately 19.5%.

IV. GENERAL FUND BUDGETARY HIGHLIGHTS

The Teche-Vermilion Fresh Water District's budget had no revisions during the 2018 and 2017 fiscal years. Actual revenues were more than budgeted revenues by $135,424 and actual expenditures were $3,457,290 less than budgeted expenditures during 2018.

The net change in fund balance (budgetary basis) for the year ended December 31, 2018 of $455,764 was $3,592,714 over the anticipated (budgeted) amount.

V. CAPITAL ASSETS

At the end of 2018, Teche-Vermilion Fresh Water District had $16,063,187 invested in capital assets. This amount represents a net increase of $2,338,613 or 17.0% from 2017. This increase was due primarily to construction projects, partially offset by depreciation expense during 2018. At the end of 2017, Teche-Vermilion Fresh Water District had $13,724,574 invested in capital assets. This amount represented a net increase of $1,181,170 or 9.4% from 2016.

VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor considered when preparing the fiscal 2019 budget was the ad valorem tax revenue. The ad valorem tax is expected to produce $4,740,000 or approximately 88.9% of the total budgeted revenues. Interest earnings are budgeted at $486,400 or approximately 9.1% of the total budgeted revenues. Total expenses have been fairly constant over the years. Accordingly, the 2019 budget was prepared based on 2018 results.

VII. CONTACTING THE TECHE-VERMILION FRESH WATER DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the funds maintained by Teche-Vermilion Fresh Water District and to show Teche-Vermilion Fresh Water District's accountability for the money it receives. If you have any questions or need additional financial information, contact Teche-Vermilion Fresh Water District, Mr. Donald Sagrera, Executive Director, at 315 South College Road, Suite 110, Lafayette, Louisiana 70503.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF NET POSITION
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash	$ 4,541,007
Investments	22,653,667
Receivables:	
Ad valorem taxes	4,034,028
State revenue sharing	89,732
Accrued interest	117,715
Inventory	3,107,625
Total current assets	$34,543,774
CAPITAL ASSETS	
Non-depreciable	$ 8,355,377
Depreciable, net	7,707,810
Total capital assets	$16,063,187
OTHER ASSETS	
Unfunded net pension asset	$ 89,338
Total assets	$50,696,299
DEFERRED OUTFLOWS OF RESOURCES	
Defined benefit pension plan	$ 202,215
Total assets and deferred outflows of resources	$50,898,514

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	$ 160,400
Retainage payable	339,707
Accrued liabilities	33,207
Accrued annual leave, current portion due	28,953
Total current liabilities	$ 562,267
LONG-TERM LIABILITIES	
Accrued annual leave, net of current portion due	$ 73,720
OPEB obligation	1,159,966
Total long-term liabilities	$ 1,233,686
Total liabilities	$ 1,795,953
DEFERRED INFLOWS OF RESOURCES	
Defined benefit pension plan	$ 265,121
Other post employment benefits	112,691
Total deferred inflows of resources	$ 377,812
NET POSITION	
Net investment in capital assets	$ 16,063,187
Unrestricted	32,661,562
Total net position	$ 48,724,749
Total liabilities, deferred inflows of resources and net position	$ 50,898,514

Exhibit B

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Expenses:	
Governmental activities – fresh water supply –	
General government:	
Personnel services	$ 1,078,558
Utilities	648,736
Other services and charges	768,399
Depreciation	364,265
Total government activities	$ 2,859,958
General revenues:	
Ad valorem taxes	$ 4,906,855
Grants and contributions not restricted to specific programs	134,193
Investment income	394,915
Miscellaneous revenue	13,661
Total general revenues	$ 5,449,624
Change in net position	$ 2,589,666
Net position, beginning of the year	46,536,657
Cumulative effect – Implementation of GASB 75:	
OPEB obligation	$ (401,574)
Net position, beginning of the year, as restated	$ 46,135,083
Net position, end of the year	$ 48,724,749

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

Exhibit C

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2018

ASSETS	
Cash	$ 4,541,007
Investments	22,653,667
Receivables:	
Ad valorem taxes	4,034,028
State revenue sharing	89,732
Accrued interest	117,715
Inventory	3,107,625
Total assets	$34,543,774
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 160,400
Retainage payable	339,707
Accrued liabilities	33,207
Total liabilities	$ 533,314
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue – ad valorem taxes	$ 5,048,557
Fund balances:	
Nonspendable –	
Inventory	$ 3,107,625
Assigned to –	
Replacement of equipment	24,894,278
Operation and maintenance	500,000
Contingencies	300,000
Insurance deductible	160,000
Total fund balances	$28,961,903
Total liabilities, deferred inflows of resources and fund balance	$34,543,774

See Notes to Financial Statements.

Exhibit D

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
December 31, 2018

Total fund balance – governmental fund	$ 28,961,903
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	16,063,187
Taxes and state revenue sharing revenues will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore, they are reported as deferred inflows in the fund financial statements.	5,048,557
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31 are:	
Compensated absences	(102,673)
Net pension asset	89,338
OPEB obligation	(1,159,966)
Deferred outflows and inflows of resources related to pensions and applicable to future periods and therefore are not reported in the funds:	
Pension contributions subsequent to plan measurement date	88,093
Difference between actual and projected earnings on plan assets	(206,397)
Changes in proportion and differences between employer contributions and proportionate share of contributions	471
Changes in assumptions	112,758
Difference between actual and expected experience	(57,831)
Deferred inflows of resources related to other post employment benefits and applicable to future periods and therefore are not reported in the funds:	(112,691)
Total net position of governmental activities	$ 48,724,749

See Notes to Financial Statements.

Exhibit E

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2018

Revenues:	
Taxes – ad valorem	$ 4,959,743
Intergovernmental	133,838
Investment income gains (losses)	394,915
Miscellaneous	13,661
Total revenues	$ 5,502,157
Expenditures:	
Current –	
General government	$ 2,437,482
Capital outlay	2,702,878
Total expenditures	$ 5,140,360
Excess of revenues over expenditures	$ 361,797
Fund balance, beginning	28,600,106
Fund balance, ending	$ 28,961,903

See Notes to Financial Statements.

Exhibit F

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Net change in fund balance – governmental fund	$ 361,797
The change in net position reported for governmental activities in the statement of activities is different because:	
The governmental fund reports capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Depreciation expense	(364,265)
Capital outlay	2,702,878
Taxes and state revenue sharing revenues recognized in the fund financial statements in the current year, but recognized as revenue in the prior year statement of activities.	(52,533)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, they are not reported as expenditures in the governmental fund. The adjustment relates to the adjustment for accrued compensated absences in the current period.	450
The effect of net pension asset, deferred outflow of resources and deferred inflows of resources related to the changes in the net pension obligation:	
Employer contributions made after the measurement date of the net pension asset	88,093
Costs of benefits earned net of required contributions	(102,415)
Net other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(44,339)
Change in net position of governmental activities	$ 2,589,666

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

The financial statements of Teche-Vermilion Fresh Water District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting entity:

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be 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.

Primary government:

Teche-Vermilion Fresh Water District - The District is a body corporate created under Act 41 of 1969. Its purpose is that of establishing, maintaining and protecting a fresh water supply in Bayou Teche and the Vermilion River in the parishes of Iberia, Lafayette, St. Martin, and Vermilion. The District is governed by a Board of Commissioners composed of one member from each of the parishes constituting the District. The members are appointed by the police juries/parish councils of their respective parishes. In addition, the St. Landry Parish Police Jury appoints an advisory member who can vote on all matters relating to drainage. The Chairman is appointed by the Commission. For financial reporting purposes, the District includes all funds and activities that are controlled by the District as an independent political subdivision of the State of Louisiana.

The activities of the parish governing authorities, school boards, independently elected parish officials and municipal level governments of the parishes constituting the District are not included within the accompanying financial statements, as they are considered autonomous governments. These units of government issue financial statements separate from that of the District.

Basis of presentation:

The District's basic financial statements consist of the government-wide statements and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide financial statements –

The government-wide financial statements include the statement of net position and the statement of activities of the District. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts – net investment in capital assets and unrestricted. The District does not have any restricted resources.

The government-wide statement of activities reports both the gross and net cost of the District. The District is supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District has no program revenues for the year ended December 31, 2018.

The net cost of the District is normally covered by general revenues (ad valorem taxes, interest income, etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund financial statements –

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. The District has only one fund, its General Fund. The General Fund is the District's general operating fund. It is used to account for all of the financial resources of the District.

Basis of accounting:

Government-wide financial statements –

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Fund financial statements –

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as "available" in the year following the assessment, when the majority of the taxes are collected. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year.

Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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.

Investments:

State statutes authorize the District to invest in United States bonds, treasury notes and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments are stated at fair value, (quoted market price or the best available estimate as determined by the broker).

Fair value measurement:

Investment measured and reported at fair value are classified according to the following hierarchy:

Level 1 – investments reflect prices quoted in active markets

Level 2 – investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active

Level 3 – investments reflect prices based upon unobservable sources

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified as Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Investments classified in Level 3 are valued based upon unobservable sources.

Inventory:

Inventory consists of spare parts and is stated at cost. Inventory is recorded under the consumption method in the fund financial statements

Fixed assets:

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide statements –

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

	Years
Water control structures	5 - 67
Buildings and improvements	10 - 25
Equipment	5 – 20

Fund financial statements –

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated absences:

Employees of the District earn annual and sick leave at varying rates according to years of service with the District. Upon resignation or retirement, unused annual leave up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, accumulated annual leave above 300 hours and accumulated sick leave is used in the retirement benefit computation as earned service. No payment is made for accrued and unused sick leave.

In the government-wide statements, the District accrues accumulated unpaid vacation and associated related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," no compensated absences liability is recorded in the governmental fund financial statements.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System of Louisiana (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The District is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The District recorded no impairment losses during the year ended December 31, 2018.

Net position flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumptions must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumptions must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Equity classifications:

Government-wide statements –

Equity is classified as net position and displayed in two components:

a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation.

b. Unrestricted net positions – All other net assets that do not meet the definition of "net investment in capital assets."

Fund statements –

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

Recent accounting pronouncements:

In June of 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined other postemployment benefit plans (OPEBs) this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Footnote disclosure and required supplementary information requirements about defined benefit OPEBs also are addressed. During 2018, the District adopted the provisions of GASB No. 75. The adoption of this statement resulted in a restatement of prior year net position as discussed in Note 13.

In March of 2017 the Governmental Accounting Standards Board (GASB) issued GASB Statement 85 *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). As it applies to the District GASB No. 85, Omnibus 2017, paragraph 8, clarifies that liabilities to employees for defined benefit plans or defined benefit OPEBs should be measured as of the end of the reporting period. In financial statements prepared using the current financial resources measurement focus (fund financial statements). This may create a difference between the accrual basis pension expense and the modified accrual basis pension expenditures. Amounts in the accrual basis statements for cost-sharing multiple-employer plans are based on actuarial analysis for a prior year. The modified accrual basis statements for governmental funds will be based on current year expenditures for employer contributions, payables to the system, and any administrative costs for plans that are not administered through a trust. In addition, the employer may accrue amounts for liabilities that are expected to be liquidated from available expendable financial resources. GASBS No. 85 is effective for reporting periods beginning after June 15, 2017. The District adopted the applicable sections of this statement during 2018.

Note 2. Deposits and Investments

Deposits:

Custodial Credit Risk – The custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure that there is no exposure to this risk is to require the financial institutions to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. At December 31, 2018, the carrying amount of the District's demand deposits held with local banks was $861,390 and the bank balance was $998,865. Of the bank balance, $250,000 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

As of December 31, 2018, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than One Year	One To Five Years	Five To Ten Years	More Than Ten Years
Fixed U.S. Government Agency Obligations	$ 22,302,673	$ 5,116,286	$ 17,186,387	$ -	$ -
Mortgage Backed Securities	350,994	-	40,598	310,396	-
	$ 22,653,667	$ 5,116,286	$ 17,226,985	$ 310,396	$ -

As of December 31, 2018, the District had $3,679,517 invested in money market funds which is included in cash on balance sheet – governmental fund and the statement of net position. This money market fund did not have a credit quality rating as of December 31, 2018.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy for custodial credit risk as it relates to investments. All investments are uninsured, uncollateralized, and held by a bank's trust department not in the District's name.

Interest Rate Risk – As a means of limiting its exposure to fair value losses, the District only invests in the following:

1. Bonds or securities which are direct obligations of the U.S. government or any agency thereof, provided that such obligations are backed by the full faith and credit of the United States of America,

2. Repurchase agreements where the collateral for the agreement is a direct obligation of the U.S. government; as long as these agreements are in writing, have a specific maturity date, properly identify each security to which the agreement applies, and state that in the event of default by the party agreeing to repurchase the securities described in the agreement at the term contained in the agreement, title to the described securities shall pass immediately to the District without recourse,

3. Pass-through mortgage-backed securities and collateralized mortgage obligations issued by the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Federal Housing Commission; and having a minimum rating of "AA" by Moody's Standard & Poors or Fitch, and

4. Other investments which meet limitations imposed by the state of Louisiana R.S. 33:2955.

In addition, the District's policy states that the weighted average maturity of the District's investment portfolio is not to exceed 10 years and that no individual security shall have a maturity in excess of 20 years, with the exception of mortgage pools.

Credit Risk/Concentration of Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the types of investments noted in the previous paragraph. In addition, the District's investment policy limits individual issues to 10% of the portfolio; with the exception of U.S. Treasuries, where credit risk is recognized as minimal. As of December 31, 2018, all of the District's investments were in U.S. Treasuries and U.S. Government Agency securities. All of the District's investments are fixed income securities.

Note 3. Ad Valorem Taxes

Fund financial statements -

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Taxes are billed and collected by the individual parishes comprising the District.

Ad valorem tax revenue is recognized in the year following the assessment, when the majority of the taxes are actually collected.

In 2000, a 10 year tax renewal in the amount of 1.5 mills was approved by the voters of Iberia, Lafayette, St. Martin, and Vermilion parishes. The tax is for the purpose of constructing, establishing, extending, maintaining, operating and protecting a fresh water supply and abating pollution in Bayou Teche and the Vermilion River within the District. On March 27, 2010, the District's 1.5 mill tax was renewed by voters. The tax will expire in the year 2020. The Board of Commissioners has established an assessment of 1.41 mills in 2018.

Government-wide financial statements –

Ad valorem tax revenue is recognized in the year for which it is levied net of uncollectible amounts, as applicable.

Note 4. Long-Term Liabilities

The District's long-term liabilities consists of accrued annual leave, unfunded net pension obligation and other post-employment benefit obligation at December 31, 2018. The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Balance 01/01/2018	Additions	Reductions	Balance 12/31/2018
Accrued compensated absences	$ 103,123	$ -	$ (450)	$ 102,673
Unfunded net pension obligation (asset)	239,188	-	(328,526)	(89,338)
OPEB obligations	1,228,318	-	(68,352)	1,159,966
	$ 1,570,629	$ -	$ (397,328)	$ 1,173,301

Note 5. Pension Plan

General information about the Plan:

All employees of the District are members of the Parochial Employees Retirement System of Louisiana (System), cost-sharing, multiple employer defined benefit pension plans established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana and is administered by a separate board of trustees. The System is to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body which employs and pays persons serving the parish. It is composed of two plans, Plan A and Plan B, with separate assets and benefit provisions. The System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 – 2025 and other general laws of the State of Louisiana. Benefits are established or amended by State Statute. The System issues a publicly available financial report that can be obtained at persla.org. All employees of the District are members of Plan A.

Benefits provided:

Retirement

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees, who were hired prior to January 1, 2007, and who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. For employees hired after January 1, 2007 and who retire at age 55 with at least 30 years of creditable service, at age 62 with 10 years of creditable service or at age 67 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. As of December 31, 2018, the District had 13 active plan members.

Survivor benefits

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

Deferred retirement option plan

Act 338 of 1990 established the deferred retirement option plan (DROP). DROP is an option for a member who is eligible for normal retirement.

This option allows a member who is eligible to retire to elect to defer the receipt of benefits for three years. During this time period, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person terminated employment are paid into the DROP fund. Upon termination, a participant may receive, at their option, a lump sum from the account equal to the balance, an annuity based upon the account balance in the fund or rollover the fund to an individual retirement account.

Disability benefits

For Plan A, a member may be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has a least five years of creditable service or if hired after January 1, 2007 has seven years of creditable service, and is not eligible for normal retirement and has been certified as disabled by the State Medical Disability Board. Disability benefits are equal to the lesser of 3% of the final average compensation multiplied by the years of service, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

Contributions:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the plan year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of the member's compensation for Plan A. However, the actual rate was 12.50% of annual covered payroll for Plan A. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A, exclusive of employee portion, for the year ending December 31, 2018, was $88,093, equal to the required contributions for the year of 11.50% of covered member compensation.

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

At December 31, 2018, the District reported an asset of $89,338 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's required projected share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was .12036%, which was an increase of .00422% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of $102,415 in the government wide financial statements and $88,093 in the fund financial statements. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
Deferred resources:		
Differences between expected and actual experience	$ -	$ 57,831
Changes in assumptions	112,758	-
Net difference between projected and actual earnings on pension plan investments	-	206,397
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,364	893
Contributions subsequent to measurement date	88,093	-
Ending balance	$ 202,215	$ 265,121

The District reported $88,093 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2019	$ 13,916
2020	$ (13,187)
2021	$ (69,002)
2022	$ (81,805)
2023	$ -
Thereafter	$ -

Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.25% (including inflation)
Investment rate of return	6.75% (net of investment expense)
Actuarial cost method	Entry age normal
Expected remaining service lives	4 years

Mortality rates were based on the RP-2000 Employee Sex Distinct Tables for active members, the RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries and the RP-2000 Disable Lives Mortality Table was selected for disabled annuitants.

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 a 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 Sex Distinct Tables (set forward two years for males and one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disable annuitants, the RP-2000 Disabled Lives Mortality Table set back five years for males and three for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back four years for males and three for females was used.

Cost of living adjustments are based on the present value of future retirement benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Louisiana Legislature.

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, 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 total pension liability.

The long-term 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 approach (bottom-up). Risk and return 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 of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Asset class:		
Fixed income	35%	1.24%
Equity	52%	3.67%
Alternatives	11%	0.69%
Real assets	2%	0.12%
	100%	5.62%
Inflation		2.00%
Expected arithmetic nominal return		7.62%

The following presents the net pension liability of the District calculated using the discount rate of 6.75% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% that the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the net pension liability (asset)	$ 440,470	$ (89,338)	$ (537,025)

As of December 31, 2018, the District had no amounts payable to the plan for employer and employee shares of required contributions.

Detailed information about the pension plan's fiduciary net position is available in audited stand-alone issued financial statements for the year ended December 31, 2017. Access to the audit report and financials can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated –				
Construction in progress	$ 5,113,462	$2,586,141	$ (151,969)	$ 7,547,634
Land	807,743	-	-	807,743
Total capital assets not being depreciated	$ 5,921,205	$2,586,141	$ (151,969)	$ 8,355,377
Capital assets being depreciated –				
Water control structure	$ 28,017,707	$ 267,241	$ -	$ 28,284,948
Buildings and improvements	672,947	-	-	672,947
Equipment	1,161,252	1,465	(4,155)	1,158,562
Total capital assets being depreciated	$ 29,851,906	$ 268,706	$ (4,155)	$ 30,116,457
Less accumulated depreciation for -				
Water control structure	$(21,121,783)	$ (267,266)	$ -	$(21,389,049)
Buildings and improvements	(367,444)	(12,722)	-	(380,166)
Equipment	(559,310)	(84,277)	4,155	(639,432)
Total accumulated depreciation	$(22,048,537)	$ (364,265)	$ 4,155	$(22,408,647)
Total capital assets being depreciated, net	$ 7,803,369	$ (95,559)	$ -	$ 7,707,810
Governmental activities capital assets, net	$ 13,724,574	$2,490,582	$ (151,969)	$ 16,063,187

Depreciation expense for the year ended December 31, 2018 was charged as follows:

General government	$ 364,265

Note 7. Board Members Compensation

Board members receive $75 per diem for attendance at each official meeting of the board, not to exceed one regular meeting per month and six special meetings per year. The following reflects the per diem earned by the Commissioners:

	Number	Amount
Mike Detraz	2	$ 150
Donald Segura	12	900
Edward Sonnier	14	1,050
Ralph Libersat	12	900
Tommy Thibodeaux	15	1,125
Total		$ 4,125

Note 8. Assigned Fund Balance

The District and the United States Corps of Engineers entered into an agreement of local cooperation for the construction of improvements to supplement water supply in the Teche-Vermilion Basins. This agreement requires the District to maintain and operate all works after initial completion of the Project, including major replacements as necessary. The Board of Commissioners, by resolution and on recommendation of the Corps of Engineers, has assigned $24,894,278 to provide the necessary funds for anticipated major replacements. In addition, the District has assigned $160,000 of the fund balance for insurance deductibles, $500,000 for future operation and maintenance and $300,000 for contingencies of the District.

Note 9. Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan description - The Teche-Vermilion Fresh Water District (the Water District) provides certain continuing health care and life insurance benefits for its retired employees. The Teche-Vermilion Fresh Water District's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Water District. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Water District. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit.*

The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an *agent multiple-employer plan* for financial reporting purposes and for this valuation. This valuation has been performed using the standard OGB rate structure. Medical benefits are provided to employees upon actual retirement. Employees have been assumed to be subject to the following retirement eligibility (D.R.O.P. entry) provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 65 and 20 years of service. For employees hired on or after January 1, 2007, the provisions are age 55 and 30 years of service, or age 62 and 10 years of service.

Life insurance coverage is provided to retirees and 0% of the blended rate (active and retired) is paid by the employer. The amount of insurance coverage while active is continued after retirement, but insurance coverage amounts are reduced to 50% of the original amount at age 70 or at retirement.

Employees covered by benefit terms – At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	12
	18

Total OPEB Liability

The Water District's total OPEB liability of $1,159,966 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases, including inflation	3.00%	including inflation
Discount rate	3.44%	annually (Beginning of Year to Determin ADC)
	4.10%	annually (As of End of Year Measurement Date)
Healthcare cost trend rates	5.50%	flat, annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

Changes in the Total OPEB Liability

Balance at December 31, 2017 (as restated)	$ 1,228,318
Changes of the year:	
Service cost	59,266
Interest	43,274
Differences between expected and actual experience	(34,829)
Changes in assumptions	(91,949)
Benefit payments and net transfers	(44,114)
Net changes	(68,352)
Balance at December 31, 2018	$ 1,159,966

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Water District, as well as what the Water District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	1,305,359	1,159,966	1,038,522

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Water District, as well as what the Water District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Total OPEB liability	1,049,768	1,159,966	1,294,540

For the year ended December 31, 2018, the Water District recognized OPEB expense of $88,453. At December 31, 2018, the Water District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (30,959)
Changes in assumptions	-	(81,732)
Total	$ -	$ (112,691)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:

2019	(14,086)
2020	(14,086)
2021	(14,086)
2022	(14,086)
2023	(14,086)
Thereafter	(42,259)

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to cover any claims related to these risks.

Note 11. Commitments and Contingencies

As of December 31, 2018, the District had encountered unexpected problems and delays on one of the public works contracts included in the preceding paragraph. As a result, the principal contractor defaulted on the project and the insurance company issuing the performance bond became responsible to complete the project. Work to complete the project resumed around the middle of 2017. The additional work to rectify the problems encountered along with the delays in the project have caused expected costs to exceed the initial price of the contract. In 2017, the District approved a change order adding an additional $789,818 to deal with the issues holding up the project. However the insurer is claiming it is owed an unspecified additional amount over and above what was approved by the District in the change order. In February 2019, the insurer filed suit against the District and engineers for additional amounts. As of December 31, 2018, the District is unable to predict the outcome of the lawsuit or determine what the actual additional costs will be, if any, because of the numerous disputes over who is the responsible party for these costs and the potential assessment of liquidated damages under the initial contract. Total remaining expected contractual expenditures under this contract amounted to $204,634 as of December 31, 2018.

Note 12. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of December 31, 2018:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Market for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed U.S. Government Agency Obligations	$ 22,302,673	$ -	$ 22,302,673	$ -
Mortgage Backed Securities	350,994	-	350,994	-
Investments	$ 22,653,667	$ -	$ 22,653,667	$ -

Note 13. Cumulative effect of change in accounting principles

During the year ended December 31, 2018, the District adopted GASB Statement No. 75, *Accounting for Financial Reporting for Postemployment Benefits other than Pension*. GASB 75 established new accounting and financial reporting requirements for other post employment employee benefit (OPEB) plans. Net position as of beginning of the year has been restated to reflect the amount of unfunded OPEB obligation measured under GASB75 as of that date. This resulted in a decrease of net position of $401,574, as previously stated.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem taxes	$ 4,972,000	$ 4,972,000	$ 4,959,743	$ (12,257)
Intergovernmental revenues -				
State revenue sharing	124,000	124,000	133,838	9,838
Realized investment income	346,700	346,700	488,882	142,182
Miscellaneous revenues	18,000	18,000	13,661	(4,339)
Total revenues	$ 5,460,700	$ 5,460,700	$ 5,596,124	$ 135,424
Expenditures:				
Current –				
General government:				
Personnel services -				
Salaries	$ 784,000	$ 784,000	$ 781,502	$ 2,498
Group insurance	134,000	134,000	140,160	(6,160)
Retirement	125,000	125,000	88,092	36,908
Payroll taxes	10,000	10,000	10,593	(593)
	$ 1,053,000	$ 1,053,000	$ 1,020,347	$ 32,653
Utilities	$ 1,207,400	$ 1,207,400	$ 648,736	$ 558,664
Other services and charges -				
Advertising	$ 25,000	$ 25,000	$ 25,088	$ (88)
Assessors' retirement	185,000	185,000	178,627	6,373
Compensation – board members	5,400	5,400	4,125	1,275
Dues	10,000	10,000	9,779	221
Fuel, oil and lubricants	25,000	25,000	16,380	8,620
Insurance	105,000	105,000	81,501	23,499
Maintenance contracts	1,000	1,000	1,078	(78)
Miscellaneous	2,700	2,700	2,233	467
Office supplies	28,000	28,000	33,310	(5,310)

(continued)

Schedule G-1
(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Other services and charges – (continued)				
Operating supplies	44,450	44,450	20,819	23,631
Professional services	509,400	509,400	185,394	324,006
Rent	47,000	47,000	22,903	24,097
Repairs and maintenance	1,110,300	1,110,300	134,612	975,688
Telephone	16,000	16,000	18,777	(2,777)
Travel	53,000	53,000	33,773	19,227
	$ 2,167,250	$ 2,167,250	$ 768,399	$ 1,398,851
Total general government	$ 4,427,650	$ 4,427,650	$ 2,437,482	$ 1,990,168
Capital outlay:				
Office equipment	$ 10,000	$ 10,000	$ 1,465	$ 8,535
Operation and maintenance - equipment	50,000	50,000	-	50,000
Improvements	4,110,000	4,110,000	2,701,413	1,408,587
Total capital outlay	$ 4,170,000	$ 4,170,000	$ 2,702,878	$ 1,467,122
Total expenditures	$ 8,597,650	$ 8,597,650	$ 5,140,360	$ 3,457,290
Excess (deficiency) of revenues over expenditures	$ (3,136,950)	$ (3,136,950)	$ 455,764	$ 3,592,714
Budgetary fund balance, beginning	28,627,146	28,627,146	28,627,146	-
Budgetary fund balance, ending	$ 25,490,196	$ 25,490,196	$ 29,082,910	$ 3,592,714

See Independent Auditors' Report and Notes to Budgetary Comparison Schedule.

Schedule G-2

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULE
(Required Supplementary Information)

Note 1. Budgets and Budgetary Accounting

The Teche-Vermilion Fresh Water District follows the procedures detailed below in adopting its budget.

1. An annual budget, prepared on a basis consistent with generally accepted accounting principles as applied to governmental units, is adopted for the General Fund. The budget is proposed by the Director and adopted by the District.

2. Any amendments must be approved by the Board of Teche-Vermilion Fresh Water District. All appropriations lapse at the end of the fiscal year.

Budgeted amounts presented reflect the original budget and the final budget. There were no amendments to the original budget during the year.

Note 2. Differences GAAP Actuals Versus Budgetary Basis Actuals

The District budgets all items on a basis consistent with recognition requirements under generally accepted accounting principles except for the investment income. The District only budgets for interest received and realized gains and losses. Generally accepted accounting principles require the financial statements to recognize unrealized gains and losses as well. This difference resulted in the following:

Investment income recognized under budgetary basis	$ 488,882
Unrealized losses during the year	(93,967)
Investment income recognized under generally accepted accounting principles	$ 394,915
Budgetary fund balance, year ending	$ 29,082,910
Unrealized loss position on investments at year end	(121,007)
Fund balance, actual at year end	$ 28,961,903

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
(Required Supplementary Information)
Year Ended December 31, 2018

Total OPEB Liability:	
Service costs	$ 59,266
Interest	43,274
Differences between expected and actual experience	(34,829)
Changes in assumptions	(91,949)
Benefit payments	(44,114)
Net change in total OPEB liability	$ (68,352)
Total OPEB liability – beginning (as restated)	$ 1,228,318
Total OPEB liability – ending	$ 1,159,966
Covered employee payroll	$ 731,492
Net OPEB liability as a percentage of covered employee payroll	158.58%

NOTES TO SCHEDULE

Note 1. *Benefit changes*: There were no changes of benefit terms for the year ended December 31, 2018.

Note 2. *Changes of assumptions*: The discount rate as of 12/31/2017 was 3.44% and it changed to 4.10% as of 12/31/2018.

See Independent Auditors' Report.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
(Required Supplementary Information)
For the Years Ended December 31, 2018, 2017, 2016 and 2015

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.12036%	0.11614%	0.12587%	0.12208%
District's proportionate share of the net pension liability (asset)	($89,338)	$ 239,188	$ 331,313	$ 33,378
District's covered employee payroll	$ 766,022	$ 740,849	$ 688,764	$ 719,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	11.66%	32.29%	48.10%	4.64%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.98%	94.15%	92.23%	99.15%

See Independent Auditors' Report.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S CONTRIBUTIONS
(Required Supplementary Information)
For the Years Ended December 31, 2018, 2017, 2016 and 2015

	2018	2017	2016	2015
Contractually required contributions	$ 88,093	$ 92,606	$ 89,539	$ 104,303
Contributions in relation to the contractually required contribution	$ 88,093	$ 92,606	$ 89,539	$ 104,303
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 766,022	$ 740,849	$ 688,764	$ 719,330
Contributions as a percentage of covered employee payroll	11.50%	12.50%	13.00%	14.50%

See Independent Auditors' Report.

This page intentionally left blank.

OTHER SUPPLEMENTARY INFORMATION

Schedule H

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2018

Agency Head: Donald F. Sagrera

Purpose	
Salary	$ 109,000
Benefits – insurance	11,060
Benefits – retirement	12,535
Car allowance	20,400
Reimbursements	1,800
Registration Fees	495
Conference travel	543
	$ 155,833

See Independent Auditor's Report.

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
Teche-Vermilion Fresh Water District
Lafayette, 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 governmental activities and each major fund of the Teche-Vermillion Fresh Water District as of and for the year ended December 31, 2018, and the related notes to the basic financial statements and have issued our report thereon dated June 25, 2019.

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.

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. 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.

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 responses, we identified a deficiency in internal control that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses at #2018-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Teche-Vermillion Fresh Water District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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

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 *Governmental Auditing Standards* in considering the District's internal control and compliance. This report is intended for the information and use of the Teche-Vermillion Fresh Water District, management, others within the entity, federal awarding agencies and pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.

Broussard Poche LLP

Lafayette, Louisiana
June 25, 2019

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2018

We have audited the basic financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2018, and have issued our report thereon dated June 25, 2019. 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. Our audit of the financial statements as of December 31, 2018 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control		
Material weaknesses	X Yes	_ No
Control deficiencies identified that are not considered to be material weaknesses	_ Yes	X None reported
Compliance		
Compliance material to financial statements	_ Yes	X No

Section II - Financial Statement Findings

Finding #2018-1 Segregation of Duties

Condition: The District does not have an adequate segregation of duties within the administrative office.

Criteria: An effective system of internal control procedures requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The District has a limited number of employees within the administrative offices.

Effect: Ineffective system of internal control within the administrative office.

Recommendation: While we recognize that the District may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. Keeping in mind the limited number of employees to which duties can be assigned, the District should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Management Response: We have segregated duties as much as possible. We will continue to monitor the situation.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF PRIOR FINDINGS
Year Ended December 31, 2018

Section I. Internal Control and Compliance Material to the Financial Statements

Finding #2017-1 Segregation of Duties

Recommendation: While we recognize that the District may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. Keeping in mind the limited number of employees to which duties can be assigned, the District should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status: No change in current year. Finding repeated at #2018-1.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.

BROUSSARD
POCHÉ, LLP
CERTIFIED PUBLIC ACCOUNTANTS

101 Independence Boulevard | Lafayette, LA 70506
(O) 337.988.4930 | (F) 337.984.2393
www.BroussardPoche.com

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

The Board of Commissioners
Teche-Vermilion Fresh Water District
3015 South College Road, Suite 110
Lafayette, LA 70503

We have performed the procedures enumerated below, which were agreed to by Teche-Vermilion Fresh Water District (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the Assessor's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

      We obtained a copy of the District's budgeting policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy.

   b. Purchasing: including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      We obtained a copy of the District's purchasing policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy.

   c. Disbursements, including processing, reviewing, and approving

      We obtained a copy of the District's disbursements policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy.

d. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

While the District has policies and procedures in place they are not formalized in writing.

e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

While the District has policies and procedures in place they are not formalized in writing.

f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

While the District has policies and procedures in place they are not formalized in writing.

g. Credit cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).

We obtained a copy of the District's credit card policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy.

h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

We obtained a copy of the District's ethics policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy except for item (2).

i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statue 42:111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Assessor's ethics policy.

We obtained a copy of the District's ethics policy effective for the fiscal year ended December 31, 2018. Items noted above are addressed by the policy.

j. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

This is not applicable.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

    a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

        No exceptions noted.

    b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

        The District monitors budget to actual comparisons on a quarterly basis.

    c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

        This is not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the District's main operating account. Select the District's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

    We obtained a listing of all bank accounts for the fiscal year ending December 31, 2018. Management representation was obtained that the listing was complete.

    a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

        Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date.

    b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Bank reconciliations did include evidence of management approval via initials of the Executive Director. One exception noted for January 2018 bank reconciliation; evidence of management approval not present for January 2018.

c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were no reconciling items that were outstanding for more than 12 months from the statement closing date.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a list of all deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. There was only one deposit site listed.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

We obtained a list of all deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. There was only one deposit site listed. The collection location selected for testing is the Lafayette Office.

a. Employees that are responsible for cash collections do not share cash drawers/registers.

There are two employees responsible for cash collections and only one cash drawer/register; therefore, it is shared between these two employees. Receipts are mainly by check.

b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Both administrative assistants are responsible for collections and making bank deposits. Substantially all deposits consist of ad valorem taxes and state revenue sharing submitted *by parish sheriff departments. Copies of the remittances are maintained. The District does not use a pre-numbered receipt system.*

c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Both administrative assistants are responsible for posting to the general ledger.

d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Both administrative assistants are responsible for reconciling deposits to the general ledger via bank reconciliations on a monthly basis and are also both responsible for collections.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

We observed that the District does have an insurance policy covering employee theft. The administrative assistants perform all cash collections and related transaction responsibilities. The District's policy is that all bank reconciliations are to be reviewed by the Executive Director.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

a. Observe that receipts are sequentially pre-numbered.

We traced checks that made up deposits to the deposit slip and bank statement, noting agreement. The District does not utilize a pre-numbered receipt system.

b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We traced checks that made up deposits to the deposit slip and bank statement, noting agreement. The District does not utilize a pre-numbered receipt system.

c. Trace the deposit slip total to the actual deposit per the bank statement.

We traced checks that made up deposits to the deposit slip and bank statement, noting agreement.

d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

Deposits were not made within one business day of receipt at the collection location. Deposits are only made twice per month (every two weeks). It was noted that the checks deposited were within the two week period between deposits.

e. Trace the actual deposit per the bank statement to the general ledger.

We traced the actual deposit per the bank statement to the general ledger, noting agreement.

<u>Non-Payroll Disbursements (excluding Card purchases/payments, travel reimbursements, and pretty cash purchases)</u>

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

We obtained a listing of all locations that process payments for the fiscal period and management's representation that the listing is complete. There was only one location that process payment. This location is the Lafayette office.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a list of employees involved with non-payroll purchasing and payments.

a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Purchase request are prepared at the Water Control Structure facility by the supervisor then forwarded to the Executive Director for approval. After approval, Executive Director *forwards the request to the supervisor whom requested the purchase so he can make the purchase.*

b. At least two employees are involved in processing and approving payments to vendors.

The Executive Director reviews/approves invoices before payment is able to be made. Once approved, the administrative assistant process the payment.

c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The administrative assistant processes payments and writes checks after approval of Executive Director. Administrative assistant is able to change/modify vendor files but the Executive Director is ultimately responsible for reviewing vendor files and verifying they are legitimate vendors.

d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The administrative assistant processes payments and writes checks after approval of Executive Director. Administrative assistant is also responsible for mailing out the checks.

10. For each location selected under #8 above, obtain the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a. Observe that the disbursement matched the related original invoice/billing statement.

The disbursements selected for testing matched the related original invoice or billing statement.

b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For all disbursements selected, documentation included evidence that all disbursements are being handled in accordance with the District's procedures.

__Credit Cards/Debit Cards/Fuel Cards/P-Cards__

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

    Management provided a list of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and name of employees who have possession of these cards. There is only one credit card account with two cards associated with it. The two card holders are the Executive Director and the Plant Supervisor.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

    a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

    The Executive Director, who is also a card holder, reviews the statements on a monthly basis. There is no written evidence of this review. For expenses/purchases made by the Executive Director, a board member reviews the statement before the credit card is paid. No written evidence of this review. Information of review process was obtained by inquiry of administrative assistants.

    b. Observe that finance charges and late fees were not assessed on the selected statements.

    Per review of selected credit card statement, there were no finance charges or late fees assessed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

    For the transactions selected for testing, (1) all transactions were supported by an original receipt identifying what was purchased, (2) all had written documentation of the business or public purpose, and (3) if the charge was for a meal, all had written documentation of the individuals participating in those meals.

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    We obtained the general ledger and sorted/filtered accounts for travel reimbursements. Management provided us with representation that the list was complete.

    a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

       The District uses the Federal mileage rates to reimburse travel expenses. The rates used for reimbursements do not exceed the Federal rate.

    b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

       Reimbursed expenses are supported by original itemized receipt that identifies what was purchased.

    c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

       Reimbursed expenses selected for testing are supported by documentation of the business or public purpose. If expenses were for meals, a list of those participating in the meal were included in the documentation.

    d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

       All reimbursements are approved by the Executive Director before they are able to be paid. The reimbursements paid to the Executive Director require a board member approval before paid. We reviewed reimbursement forms and noted proper approval on all those selected for testing.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, <u>excluding the practitioner's contract</u>, and:

    a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

    b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

    c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

    d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that this listing is complete. We agreed the selected employee/officials salaries/pay rates to the personal file.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Daily attendance and leave is required to be documented for all salaried/full time employees. We observed the documentation for attendance and leave.

b. Observe that supervisors approved the attendance and leave of the selected employees/officials.

Per review of daily attendance and leave records, supervisor approval was noted on those employee/officials selected for testing.

c. Observe that any leave accrued or taken during the pay period is reflected in the Assessor's cumulative leave records.

A leave schedule is maintained by the District showing the amount of leave days used by each employee along with the cumulative total days left to use.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Per management, there were no terminations during the current fiscal year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management representations were obtained.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

    a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

    b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Assessor's ethics policy during the fiscal period.

        No exceptions noted in Year 1 testing; therefore, testing in Year 2 is not required.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

    No debt issued in the current year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

    No debt outstanding at the end of the current year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Assessor reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Assessor is domiciled.

    Per management, there were no misappropriations of public funds and assets during the current fiscal year.

24. Observe that the Assessor has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Per our observation during audit field work, it was noted that the notice required by R.S. 24:523.1 was posted on the District's premises as well as on their website.

Management response: *The District concurs with the exceptions identified above. Some are related to the limited number of personnel. Duties are monitored and segregated as much as possible with the resources available to the District. The District will work to address all other exceptions.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Broussard Poche LLP

Lafayette, Louisiana
June 25, 2019