

Financial Report



For the year ended June 30, 2018

Financial Report
Consolidated Waterworks District No. 1
of the Parish of Terrebonne,
State of Louisiana
For the year ended June 30, 2018

TABLE OF CONTENTS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2018

| | <u>Exhibit</u> | <u>Page Number</u> |
|--|----------------|------------------------|
| Introductory Section | | |
| Title Page | | i |
| Table of Contents | | ii - iv |
| Financial Section | | |
| Independent Auditor's Report | | 1 - 3 |
| Management's Discussion and Analysis | | 4 - 9 |
| Basic Financial Statements: | | |
| Statement of Net Position | A | 10 - 11 |
| Statement of Revenues, Expenses and Changes in Net Position | B | 12 |
| Statement of Cash Flows | C | 13 - 14 |
| Notes to Financial Statements | D | 15 - 43 |
| Required Supplementary Information Section | | |
| Schedule of Changes in the District's Total OPEB Liability and Related Ratios | E | 44 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | F | 45 |
| Schedule of District Contributions | G | 46 |

TABLE OF CONTENTS
(Continued)

| | <u>Schedules</u> | <u>Page Number</u> |
|--|------------------|--------------------|
| Supplementary Information Section | | |
| Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer | 1 | 47 |
| Schedule of Revenues, Expenses and Changes in Net Position (Budget and Actual) | 2 | 48 |
| Schedule of Operating Revenues (Budget and Actual) | 3 | 49 |
| Schedule of Departmental Expenses (Budget and Actual) | 4 | 50 - 56 |
| Schedule of Cash Receipts and Disbursements - Restricted Accounts Required by Revenue Bond Ordinances | 5 | 57 |
| Schedule of Insurance in Force (Unaudited) | 6 | 58 |
| Water Customers (Unaudited) | 7 | 59 |
| Schedule of Cost Per Service Installation (Unaudited) | 8 | 60 |
| Schedule of Cost of Water Produced and Contract Price of Water To Be Sold To Lafourche Parish Water District No. 1 (Unaudited) | 9 | 61 |
| Schedule of Operating Revenues and Operating Expenses for the Years Ended June 30, 2018, 2017, 2016, 2015, and 2014 | 10 | 62 |
| Graph of Operating Revenues for the Years Ended June 30, 2018, 2017, 2016, 2015, and 2014 | 11 | 63 |
| Graph of Operating Expenses for the Years Ended June 30, 2018, 2017, 2016, 2015, and 2014 | 12 | 64 |

TABLE OF CONTENTS
(Continued)

| | <u>Schedules</u> | <u>Page Number</u> |
|---|------------------|------------------------|
| Special Reports of Certified Public Accountants | | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | | 65 - 66 |
| Schedule of Findings and Responses | | 67 |
| Reports By Management | | |
| Schedule of Prior Year Findings and Questioned Costs | | 68 |
| Management's Corrective Action Plan | | 69 |
| Statewide Agreed-upon Procedures | | |
| Independent Accountant's Report on Applying Agreed-upon Procedures | | 70 |
| Schedule of Procedures and Associated Findings of the Statewide Agreed-upon Procedures | 13 | 71 - 82 |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

We have audited the accompanying financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 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 an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, as of June 30, 2018, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions on pages 4 through 9, 44, 45 and 46 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 with 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The information contained in Schedules 1 through 12 on pages 47 through 64 for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information, except for Schedules 6, 7, 8 and 9 on pages 58 through 61 marked "unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and to the financial statements themselves, and other additional procedures in accordance with auditing

procedures generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2018, as a whole. Schedules 6, 7, 8 and 9 marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the statement of net position of Consolidated Waterworks District No. 1 as of June 30, 2017, 2016, 2015 and 2014, and the related statement of revenues, expenses and changes in net position for each of the four years ended June 30, 2017 (none of which is represented herein), and have issued our reports thereon dated October 31, 2017, December 15, 2016, November 23, 2015, and October 27, 2014, respectively, which contained an unmodified opinion on those financial statements. The information contained in Schedules 10 through 12 on pages 62 through 64 for the years ended June 30, 2017, 2016, 2015 and 2014 is also presented for additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the accounting and other records used to prepare the financial statements as of and for the years ended June 30, 2017, 2016, 2015 and 2014. The information for the years ended June 30, 2017, 2016, 2015 and 2014 in Schedules 10 through 12 on pages 62 through 64 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 10 through 12 on pages 62 through 64 for the years ended June 30, 2017, 2016, 2015 and 2014 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2018 on our consideration of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana'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 the 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 13, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

This section of the District's financial report presents our analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's change in net position was an increase of \$1.5 million.
- The District's opening net position as of July 1, 2017 was decreased by \$6.3 million for the implementation of GASB statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*"
- During the year the District's operating revenues increased by \$0.2 million or 1.18%, while other operating expenses increased by \$0.3 million or 2.59%.
- Non-operating revenues increased by \$0.1 million or 50.0% due to investment income.
- Non-operating expenses decreased \$0.1 million or 10.00% due to decreases in interest expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of six parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, Supplementary Information and Special Reports by Certified Public Accountants and Management and Statewide Agreed-upon Procedures. The financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

REQUIRED BASIC FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private sector businesses. These statements offer short and long-term financial information about the District's activities. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the year and can be used to determine whether the District has successfully recovered all its costs through its fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments throughout the year. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the District is in a better financial position as a result of the year's activities. These statements report the net position of the District and changes in it. The net position (difference between assets deferred outflows of resources, liabilities and deferred inflows of resources) can be used to measure financial health or financial position. Over time, increases and decreases in the District's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, population growth and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Position
(In millions of dollars)

| | June 30, | | Dollar Change | Total Percent Change |
|--|-----------------|-----------------|------------------|----------------------------|
| | 2018 | 2017 | | |
| Current and Other Assets | \$ 28.0 | \$ 25.7 | \$ 2.3 | 8.95% |
| Capital Assets | 97.5 | 98.4 | (0.9) | -0.91% |
| Deferred Outflows of Resources | 0.5 | 0.7 | (0.2) | -28.57% |
| Total Assets and Deferred Outflows of Resources | <u>\$ 126.0</u> | <u>\$ 124.8</u> | <u>\$ 1.2</u> | 0.96% |
| Long-term Debt and Obligations Outstanding | \$ 33.3 | \$ 34.6 | \$ (1.3) | -3.76% |
| Current and Other Liabilities | 4.8 | 4.5 | 0.3 | 6.67% |
| Deferred Inflows of Resources | 0.9 | 0.2 | 0.7 | 350.00% |
| Total Liabilities and Deferred Inflows of Resources | <u>39.0</u> | <u>39.3</u> | <u>(0.3)</u> | -0.76% |
| Investment in Capital Assets | 72.1 | 72.4 | (0.3) | -0.41% |
| Restricted | 7.5 | 6.7 | 0.8 | 11.94% |
| Unrestricted | 7.4 | 6.4 | 1.0 | 15.63% |
| Total Net Position | <u>87.0</u> | <u>85.5</u> | <u>1.5</u> | 1.75% |
| Total Liabilities and Net Position | <u>\$ 126.0</u> | <u>\$ 124.8</u> | <u>\$ 1.2</u> | 0.96% |

NET POSITION (Continued)

As can be seen from the table, net position increased \$1.5 million to \$87.0 million for the year ended June 30, 2018. This increase reflects capital projects, unrestricted net position (those that can be used to finance day-to-day operations) and restricted net position. Long-term debt and obligations along with beginning net position as of July 1, 2017 has been restated by \$6.3 million as a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions", which required the District to recognize the total OPEB liability.

Table A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position
(In millions of dollars)

| | June 30, | | Dollar Change | Total Percent Change |
|--|----------------|----------------|------------------|----------------------------|
| | 2018 | 2017 | | |
| Operating Revenues | \$ 17.2 | \$ 17.0 | \$ 0.2 | 1.18% |
| Non-Operating Revenues | 0.3 | 0.2 | 0.1 | 50.00% |
| Total Revenues | 17.5 | 17.2 | 0.3 | 1.74% |
| Depreciation | 3.5 | 3.6 | (0.1) | -2.78% |
| Other Operating Expenses | 11.9 | 11.6 | 0.3 | 2.59% |
| Non-Operating Expenses | 0.9 | 1.0 | (0.1) | -10.00% |
| Total Expenses | 16.3 | 16.2 | 0.1 | 0.62% |
| Change in Net Position Before Capital Contributions | 1.2 | 1.0 | 0.2 | 20.00% |
| Capital Contributions | 0.3 | 0.6 | (0.3) | -50.00% |
| Change in Net Position | 1.5 | 1.6 | (0.1) | -6.25% |
| Beginning Net Position, Restated | 85.5 | 83.9 | 1.6 | 1.91% |
| Ending Net Position | \$ 87.0 | \$ 85.5 | \$ 1.5 | 1.75% |

The Statement of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of changes in net position. The District's operating revenues increased by \$0.2 million to \$17.2 million or 1.18% primarily due to increases in customer revenues. Non-operating revenues increased by \$0.1 million and depreciation expense decreased by \$0.1 million. The District's other operating expenses increased \$0.3 million primarily due to increase personal services. Non-operating expenses decreased \$0.1 million primarily due to decreases in interest expense. The District has capitalized \$0.3 million of newly completed waterlines donated to the District by developers. These capitalized costs are reported as capital contributions and is \$0.3 million less than the amount as reported in the prior fiscal year.

BUDGETARY HIGHLIGHTS

As required by revenue bond resolutions, the District adopts a line item budget no later than 30 days prior to the start of the following year. The budget is reviewed and amended as needed. During the year ended June 30, 2018, the budget was amended in the third and fourth quarters. The amendments reflected a net increase in operating income of \$656,650 associated with lower insurance premiums and decreases in personal services expenses.

A more detailed analysis of the District's budget is presented in the supplemental information section of this report.

CAPITAL ASSETS

At June 30, 2018, the District had invested \$172.3 million in a broad range of infrastructure including water plants at Schriever and Houma, distribution system, warehouse and administration facilities, vehicles, furniture and equipment as shown in Table A-3. This amount represents an increase of \$2.1 million, or 1.2 %, over last year.

Table A-3
Capital Assets
(In millions of dollars)

| | June 30, | | Dollar Change | Total Percent Change |
|-------------------------------|----------------|----------------|------------------|----------------------------|
| | 2018 | 2017 | | |
| Land | \$ 0.6 | \$ 0.6 | \$ - | 0.0% |
| Water plant | 43.1 | 42.9 | 0.2 | 0.5% |
| Distribution system | 122.6 | 114.6 | 8.0 | 7.0% |
| Administrative building | 2.3 | 2.3 | - | 0.0% |
| Plant equipment | 0.6 | 0.5 | 0.1 | 20.0% |
| Furniture and equipment | 0.9 | 0.9 | - | 0.0% |
| Automobiles and trucks | 1.1 | 1.1 | - | 0.0% |
| Construction in progress | 1.1 | 7.3 | (6.2) | -84.9% |
| Subtotal | <u>172.3</u> | <u>170.2</u> | <u>2.1</u> | <u>1.2%</u> |
| Less accumulated depreciation | 74.8 | 71.8 | 3.0 | 4.2% |
| Net book value | <u>\$ 97.5</u> | <u>\$ 98.4</u> | <u>\$ (0.9)</u> | <u>-0.9%</u> |

This year's capital improvements included:

- Completion of a 30" transmission main along US Hwy 90.
- Completion of 12" Tunnel Boulevard extension
- Waterlines donated by developers.
- Warehouse renovations and purchases of plant equipment.
- Purchases of various trucks.

LONG-TERM DEBT AND OBLIGATIONS

As of June 30, 2018, the District had \$24.5 million in long-term debt (water revenue bonds) down from \$25.0 million at June 30, 2017 for a net decrease of \$0.5 million. During the year ended June 30, 2018, the District issued \$0.6 million in new debt through the State's Drinking Water Revolving Loan Fund Program. Also in the fiscal year, the District paid \$1.0 million in principal payments on outstanding debt. The District's unamortized bond premium at June 30, 2018 amounted to \$.9 million, which was a decrease of \$.1 million compared to the prior year. Current and other liabilities at June 30, 2018 include \$1.8 million of the District's long-term debt. More detailed information about the District's long-term debt is presented in Note 7 to the financial statements.

The District's water revenue bonds maintain an AA-/Stable rating from Standard and Poor's Rating Service.

Bond covenants allow for the issuance of additional debt, on a parity basis, subject to certain conditions. The major criterion is that annual net revenues must be at least 1.2 times the highest combined annual principal and interest requirements. The District currently carries a coverage ratio of 1.76 down from last year's ratio of 1.79.

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension", at July 1, 2017 which required the District to retroactively recognize the total OPEB liability. Accordingly, the financial statements contain a prior period adjustment of \$6.3 million. As of June 30, 2018, the District's obligation for postemployment health care was \$9.7 million, which is an increase of \$6.6 million for the year end June 30, 2018 and reflects the restatement of \$6.3 million and a current year expense of \$.3 million. More information on the District's postemployment health care obligation is presented in the Note 8 to the financial statements.

As of June 30, 2018, the District's proportional share of the net pension asset amounted to \$.5 million or an increase of \$1.0 million for the year then ended. More information on the District's proportional share of the net pension liability of the Parochial Employees Retirement System is presented in the Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2018 budget. One of those factors is the economy of Terrebonne Parish. The District's customer base, both commercially and residentially, has decreased as a result of downturns in offshore oil and gas drilling and exploration. Revenues from water sales and services available for recovering operating expenses are projected to be \$16.8 million, a decrease of \$.4 million from actual operating revenues in fiscal year 2018. Budgeted operating expenses, including depreciation and amortization, are expected to be higher than actual for the fiscal year 2018 actual by approximately 4.5% to \$16.1 million. Budgeted employment costs are affected by a 2% merit increase in employee salaries, a 20% increase in group insurance costs and a 2% increase in property and liability insurance premiums.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have questions about this report or need additional financial information, contact Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, Office Manager, P. O. Box 630, Houma, LA 70361.

STATEMENT OF NET POSITION

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current

| | |
|--|---------------|
| Cash and cash equivalents | \$ 14,536,286 |
| Accounts receivable: | |
| Customers | 1,134,370 |
| Unbilled water sales | 1,181,551 |
| Allowance for uncollectible accounts | (368,022) |
| Interest receivable | 36,882 |
| Due from State of Louisiana: | |
| Office of Homeland Security and Emergency Preparedness | 335,596 |
| Department of Health and Hospitals | 19,191 |
| Inventory of materials and supplies | 680,919 |
| Prepaid insurance | 248 |
| | <hr/> |
| Total current assets | 17,557,021 |

Restricted Cash and Cash Equivalents

| | |
|--|------------|
| Meter Deposit Fund | 2,491,300 |
| Revenue Bond Sinking Fund | 1,322,776 |
| Bond Reserve Fund | 2,120,242 |
| Depreciation and Contingencies Fund | 4,082,533 |
| Construction 2012 Fund | 1,586 |
| | <hr/> |
| Total restricted cash and cash equivalents | 10,018,437 |

Capital Assets

| | |
|----------------------|------------|
| Non-depreciable | 1,654,885 |
| Depreciable, net | 95,802,427 |
| | <hr/> |
| Total capital assets | 97,457,312 |

Other Assets

| | |
|-------------------|-------------|
| Net pension asset | 491,478 |
| | <hr/> |
| Total assets | 125,524,248 |

Deferred Outflows of Resources

| | |
|---|----------------|
| | <hr/> |
| | 449,368 |
| | <hr/> |
| Total assets and deferred outflows of resources | \$ 125,973,616 |

See notes to financial statements.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**Current**

| | |
|--|------------------|
| Payable from current assets: | |
| Accounts payable and accrued expenses | \$ 364,243 |
| Payable from restricted assets: | |
| Accrued interest on bonds | 159,233 |
| Revenue bonds: | |
| Bonds payable | 1,661,000 |
| Unamortized bond premium | 91,498 |
| Meter deposits | 2,491,300 |
| Total current liabilities payable from restricted assets | <u>4,403,031</u> |
| Total current liabilities | <u>4,767,274</u> |

Long-term

| | |
|---|-------------------|
| Revenue bonds: | |
| Bonds payable | 22,848,588 |
| Unamortized bond premium | 808,963 |
| Total revenue bonds | <u>23,657,551</u> |
| Other postemployment benefit obligation | <u>9,683,388</u> |
| Total long term liabilities | <u>33,340,939</u> |
| Total liabilities | 38,108,213 |

Deferred Inflows of Resources

| | |
|---|-------------------|
| | <u>875,360</u> |
| Total liabilities and deferred inflows of resources | <u>38,983,573</u> |

NET POSITION**Net Position**

| | |
|---|-----------------------|
| Net investment in capital assets | 72,048,849 |
| Restricted for: | |
| Debt service | 3,443,018 |
| Renewal and replacement | 4,082,533 |
| Unrestricted | 7,415,643 |
| Net position | <u>86,990,043</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 125,973,616</u> |

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

OPERATING REVENUES

| | |
|--|---------------|
| Revenues from water sales and services | \$ 16,443,692 |
| Other operating revenues | 744,606 |
| | <hr/> |
| Total operating revenues | 17,188,298 |

OPERATING EXPENSES

| | |
|----------------------------|------------|
| Personal services | 6,533,510 |
| Supplies and materials | 1,712,994 |
| Other services and charges | 3,683,579 |
| Depreciation | 3,450,734 |
| | <hr/> |
| Total operating expenses | 15,380,817 |

| | |
|------------------|-----------|
| Operating income | 1,807,481 |
|------------------|-----------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|------------------------------|-----------|
| Investment income | 243,610 |
| Intergovernmental | 5,569 |
| Amortization of bond premium | 97,934 |
| Bond interest | (946,997) |
| Loss on disposal of asset | (2,760) |
| | <hr/> |
| Net non-operating expenses | (602,644) |

| | |
|---|-----------|
| Change in net position before capital contributions | 1,204,837 |
|---|-----------|

CAPITAL CONTRIBUTIONS

| | |
|------------------------|-----------|
| Change in net position | 284,820 |
| | <hr/> |
| | 1,489,657 |

NET POSITION

| | |
|--------------------------------|---------------|
| Beginning of year, as restated | 85,500,386 |
| | <hr/> |
| End of year | \$ 86,990,043 |

See notes to financial statements.

STATEMENT OF CASH FLOWS**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Cash received from customers | \$ 17,152,543 |
| Cash payments to suppliers for goods and services | (5,414,152) |
| Cash payments to employees for services and benefits | <u>(6,191,232)</u> |
| Net cash provided by operating activities | <u>5,547,159</u> |

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

| | |
|---|--------------------|
| Acquisition and construction of capital assets | (2,479,415) |
| Intergovernmental capital project grants | 260,216 |
| Proceeds from issuance of bonds | 558,470 |
| Principal paid on outstanding debt | (1,038,000) |
| Interest paid on outstanding debt | <u>(959,090)</u> |
| Net cash used by capital and related financing activities | <u>(3,657,819)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------------|
| Interest received | <u>221,543</u> |
| Net increase in cash and cash equivalents | 2,110,883 |

CASH AND CASH EQUIVALENTS

| | |
|-------------------|----------------------|
| Beginning of year | <u>22,443,840</u> |
| End of year | <u>\$ 24,554,723</u> |

CLASSIFIED AS

| | |
|---------------------------------|----------------------|
| Current assets | \$ 14,536,286 |
| Restricted assets | <u>10,018,437</u> |
| Total cash and cash equivalents | <u>\$ 24,554,723</u> |

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

| | |
|---|----------------------------|
| Operating income | <u>\$ 1,807,481</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 3,450,734 |
| Bad debts | 132,314 |
| Other post employment benefit obligations | 366,660 |
| Pension | (31,463) |
| (Increase) decrease in assets: | |
| Accounts receivable | (165,081) |
| Inventory of material and supplies | (14,461) |
| Prepaid insurance | 41,499 |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued expenses | (37,536) |
| Meter deposits | <u>(2,988)</u> |
| Total adjustments | <u>3,739,678</u> |
| Net cash provided by operating activities | <u><u>\$ 5,547,159</u></u> |

**NON CASH OPERATING, CAPITAL AND RELATED FINANCING
ACTIVITIES AND INVESTING:**

Amortization of bond premium was \$97,934.

Capital assets received in noncash capital contributions was \$284,820.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the District's accounting policies are described below:

a) Reporting Entity

Following Louisiana legislation passed in the 1992 session, the Terrebonne Parish Consolidated Government passed an ordinance creating the Consolidated Waterworks District No. 1 of the Parish of Terrebonne (the District) for the purpose of providing water services to the citizens of Terrebonne Parish. On July 1, 1994 Waterworks District Nos. 1, 2, 3 of Terrebonne Parish and the City of Houma water system transferred cash, investments and other net assets to the District.

GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: omnibus and amendment of GASB Statement No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirement for Certain Component Units*, established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the District and the potential component unit.
4. Imposition of will by the District on the potential component unit.
5. Financial benefit/burden relationship between the District and the potential component unit.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (Continued)

The District has reviewed all of its activities and determined there are no potential component units which should be included in its financial statements.

It has been determined based upon the above criteria that the District is a component unit of the Terrebonne Parish Consolidated Government and will be included in its comprehensive financial report for the year ending December 31, 2018.

b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements provide information about the District's business activities. The financial statements for business-type activities are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe *which* transactions and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting", refers to when transactions or events are recorded regardless of the measurement focus applied.

The District utilizes a single stand-alone enterprise fund for its business-type activities. The Fund is used to account for water intake, purification, distribution and sales activities, and the related administrative functions.

Because of the "businesslike" characteristics of operations, the accompanying financial statements report using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**b) Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

As the means for delivering services to its customers, the District utilizes water production plants and water distribution systems. To provide the resources that are necessary to pay for these utility services and the related support functions, the District charges its customers monthly user fees which are based on the specific level of services that they are receiving. Because the operations of the District closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

The District's various bond indentures require the establishment of certain accounts which are referred to as "funds". These required accounts are maintained as part of the accounting records of the District. They include the Revenue Bond Sinking Fund, Bond Reserve Fund, and Depreciation and Contingencies Fund. These are not "funds" as the term is used in generally accepted accounting principles, but are 19 separate "accounts" used to delineate the accounting and reporting for bond-related money and repayment security requirements.

The balances and activity that occur in these various accounts represent specific segments of the District as reported in the District's basic financial statements. Additional compliance information about these accounts is presented in Note 7 and a separate supplemental schedule that follow the basic financial statements.

The enterprise fund used by the District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for sales and services that are provided to them. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c) Use of Estimates

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to include amounts in checking accounts and investments in certificates of deposits with maturities of four months or less when purchased and the Louisiana Asset Management Pool (LAMP).

LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met.

e) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date. Management provides an allowance for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

f) Inventory of Material and Supplies

Inventory of materials and supplies are valued at cost, using the first-in first-out (FIFO) method, which approximates the average cost method.

g) Restricted Assets

Specific assets are required to be segregated as to use and are therefore identified as restricted assets. Certain assets are restricted pursuant to restrictions arising from various bond indenture agreements (See Note 7).

h) Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are valued at historical costs or estimated cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Capital Assets (Continued)

Depreciation of all capital assets, excluding land, is calculated over the estimated useful lives using the straight-line method as follows:

| Type of Capital Asset | Depreciation Rate |
|---|-------------------|
| Water plant | 2% |
| Water plant - filters | 20% |
| Distribution system | 2% - 4% |
| Distribution system - tank painting and improvements | 33% |
| Administrative building | 5% |
| Plant equipment | 10% |
| Furniture and equipment | 10% |
| Automobiles and trucks | 20% |

i) Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable balances are reported net of applicable bond premium and discount.

j) Accumulated Unpaid Vacation and Sick Leave

The District accrues benefits in the period earned. Full-time employees of the District shall be entitled to vacation with pay and shall accrue vacation time in the following manner:

| | |
|--------------------------------------|--------------------------|
| After first year | Five days (40 hours) |
| After second year through ninth year | Ten days (80 hours) |
| Ten years or more | Fifteen days (120 hours) |

Employees may not accumulate and carry forward vacation time beyond the year earned, which is January 1 through December 15. Accumulated vacation leave is due to the employee at the time of termination of employment. Although sick leave accumulates and is available for employees when needed, it does not vest nor is it payable at termination of employment.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent 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. The District has two items that qualify for reporting as deferred outflows of resources and two items that qualify for reporting as deferred inflows of resources: bond premium and bond discount on refundings, OPEB and pension related deferred outflows and bond premium and bond discount on refundings and pension related inflows of resources. A bond premium or discount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized by the interest method over the shorter of the life of the refunded or refunding debt. See Note 7 for additional information regarding bond premium and bond discount, See Note 8 for information regarding OPEB related deferred outflows of resources and Note 9 for information regarding deferred outflows and inflows of resources related to pensions.

l) Contracts Payable

Liability for work performed on contracts is recognized as the work is incurred.

m) Revenues and Expenses

Operating revenue and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted net position.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Pensions

For purposes of measuring the net pension asset, 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 (the 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.

o) Net Position

Net position comprised the various net earnings from operating income, nonoperating revenues, expenses and capital contributions. Net position is classified into the following three components:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.
- Restricted -This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Restatement of Net Position

Effective for the year ended June 30, 2018, the District implemented GASB Statement No. 75, *"Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions."* Implementation of the new accounting standard required restatement of beginning net position for the net OPEB liability.

The restatement had the following impact on previously reported balances.

| Statement of Net Position | Governmental Activities |
|--|----------------------------|
| Net Position, July 1, 2017 as previously reported | \$ 91,739,966 |
| Restatement for implementation of GASB Statement No. 75, see Note 1q | <u>(6,239,580)</u> |
| Net Position, July 1, 2017, restated | <u>\$ 85,500,386</u> |

q) New GASB Statements

During the year ending June 30, 2018, the District implemented the following GASB Statements:

Statement No. 75, *"Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions"* replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Implementation of this Statement required the restatement of net position as of July 1, 2017 for the cumulative unfunded actuarial liability as described in Note 1p).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (Continued)

Statement No. 81, *"Irrevocable Split Interest Agreements"* provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the District's financial statements.

Statement No. 85, *"Omnibus 2017."* On March 20, 2017, GASB issued *"Omnibus 2017"* covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. This Statement did not affect the District's financial statements.

Statement No. 86, *"Certain Debt Extinguishment Issues"* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement did not affect the District's financial statements.

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (Continued)

Management has elected early implementation of this Statement which resulted in the full amount of interest incurred during the fiscal year ended June 30, 2018, \$946,997, being recognized as a non-operating expense in the financial statements.

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (Continued)

a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 88. "*Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placement. The Statement clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For note to financial statement related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 90, "*Majority Equity Interest*" improves the consistency and comparability of reporting government's majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method. For all holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority interest using the equity method. The requirements of this Statement are effective for reporting period beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - BUDGET

The Board is required by revenue bond resolutions to adopt a line item budget for the District within thirty days of the end of its fiscal year for the following year. The Board adopted a line item budget for the year ended June 30, 2018. The budget was amended twice during the year. All revisions to the budget must be approved by the Board. The budget lapses at year-end.

Note 3 - DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investments contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits:

State Law requires deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or with a trust company for the account of the political subdivision.

The year end balances of deposits are as follows:

| | Bank Balances | Reported Amount |
|-------------------------|------------------|--------------------|
| Cash | \$ 5,257,989 | \$ 4,196,423 |
| Certificates of deposit | 5,645,000 | 5,645,000 |
| Totals | \$ 10,902,989 | \$ 9,841,423 |

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 has a written policy for custodial credit risk. As of June 30, 2018, \$8,886,624 of the District's bank balance of \$10,902,989 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent and are deemed to be held in the District's name by state statutes.

Note 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Bank Deposits: (Continued)

At June 30, 2018, cash and certificates of deposits were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, 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 depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

As a means of limiting its exposure to fair value losses arising from interest rates, interest rate risk, the District's investment policy limits investments to securities with less than six months from the date of purchase unless the investment is matched to a specific cash flow. Due to this policy we are showing all investments with maturity dates less than four months from the date of purchase as cash and cash equivalents.

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 or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

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 requires the application of the prudent-person rule. The policy states, *investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Primary emphasis shall be placed upon the safety of such funds in an effort to minimize risk while earning maximum returns.* The District's investment policy limits investments to those discussed earlier in this note. LAMP has a Standard & Poor's Rating of AAAm.

Note 3 DEPOSITS AND INVESTMENTS (Continued)

Investments: (Continued)

The District places no limit on the amount the District may invest with anyone issuer. Investments issued by or explicitly guaranteed by the U.S. Government, and external investment pools are exempt from concentration of credit risk exposures.

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP at June 30, 2018 amounted to \$14,713,000 and are classified on the Statement of Net Assets as unrestricted and restricted "Cash and Cash Equivalents". A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

| | |
|--------------------------------|----------------------|
| Cash on hand | \$.300 |
| Reported amount of deposits | 9,841,423 |
| Reported amount of investments | <u>14,713,000</u> |
| Total | <u>\$ 24,554,723</u> |
| Classified as: | |
| Current assets | \$ 14,536,286 |
| Restricted assets | <u>10,018,437</u> |
| Total | <u>\$ 24,554,723</u> |

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Balance July 1, 2017 | Additions | Adjustments and Deletions | Balance June 30, 2018 |
|---|-------------------------|---------------------|------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 581,471 | \$ - | \$ - | \$ 581,471 |
| Construction in progress | 7,285,085 | 222,379 | (6,434,050) | 1,073,414 |
| Total capital assets not being depreciated | 7,866,556 | 222,379 | (6,434,050) | 1,654,885 |
| Capital assets being depreciated: | | | | |
| Water plant | 42,088,687 | 187,595 | - | 42,276,282 |
| Water plant - water filters | 833,635 | 230,000 | (251,485) | 812,150 |
| Distribution system | 113,958,725 | 1,599,979 | 6,434,050 | 121,992,754 |
| Distribution system - tank painting and improvements | 616,823 | - | (12,127) | 604,696 |
| Administrative building | 2,282,346 | 33,709 | - | 2,316,055 |
| Plant equipment | 545,209 | 45,643 | - | 590,852 |
| Furniture and equipment | 902,237 | 8,835 | (8,328) | 902,744 |
| Automobiles and trucks | 1,052,297 | 201,811 | (133,842) | 1,120,266 |
| Total capital assets being depreciated | 162,279,959 | 2,307,572 | 6,028,268 | 170,615,799 |
| Less accumulated depreciation for: | | | | |
| Water plant | (18,807,557) | (766,903) | - | (19,574,460) |
| Water plant - water filters | (489,977) | (124,632) | 251,485 | (363,124) |
| Distribution system | (48,957,897) | (2,197,559) | - | (51,155,456) |
| Distribution system - tank painting and improvements | (287,668) | (123,364) | 12,127 | (398,905) |
| Administrative building | (1,372,429) | (66,189) | - | (1,438,618) |
| Plant equipment | (464,973) | (16,712) | - | (481,685) |
| Furniture and equipment | (571,963) | (66,420) | 5,568 | (632,815) |
| Automobiles and trucks | (813,196) | (88,955) | 133,842 | (768,309) |
| Total accumulated depreciation | (71,765,660) | (3,450,734) | 403,022 | (74,813,372) |
| Total capital assets being depreciated, net | 90,514,299 | (1,143,162) | 6,431,290 | 95,802,427 |
| Total capital assets, net | \$ 98,380,855 | \$ (920,783) | \$ (2,760) | \$ 97,457,312 |

Additions to the distribution system include the estimated fair value of newly completed waterlines donated to the District by developers. The donated waterlines amount to \$284,820 for the year ended June 30, 2018.

Note 4 - CAPITAL ASSETS (Continued)

Adjustments

Reported as adjustments, \$6,434,050, are the completion and reclassification of capital projects to their functional asset groupings, which had been previously accounted for as construction in progress. Other adjustments are due to physical inventory of capital assets and a reconciliation to the asset listing.

The District has active construction projects in the engineering and planning phases as of June 30, 2018. At year end, the District's commitments with contractors are as follows:

| <u>Project</u> | <u>Incurred to Date</u> | <u>Remaining Commitment</u> |
|---------------------------------|-----------------------------|---------------------------------|
| Waterline along Bayou Blue Road | \$ - | \$ 920,084 |
| Waterline replacement Montegut | - | 256,907 |
| Tank Paintings Bayou Black | - | 426,455 |
| Total | <u>\$ -</u> | <u>\$ 1,603,446</u> |

Note 5 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Activity in deferred outflows and inflows of resources for the year ended June 30, 2018 was as follows:

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2018</u> |
|--|---------------------------------|---------------------|---------------------|----------------------------------|
| Deferred outflows of resources | | | | |
| Amounts on Revenue Refund Bonds, Series 2012B, See Note 7 | \$ 7,598 | \$ - | \$ (7,598) | \$ - |
| Amounts related to OPEB, See Note 8 | - | 639 | - | 639 |
| Amounts related to pensions, restated, See Note 9 | <u>686,712</u> | <u>-</u> | <u>(237,983)</u> | <u>448,729</u> |
| Total deferred outflows | <u>\$ 694,310</u> | <u>\$ 639</u> | <u>\$ (245,581)</u> | <u>\$ 449,368</u> |
| Deferred inflows of resources | | | | |
| Amounts on Revenue Refund Bonds, Series 2014, See Note 7 | \$ (55,352) | \$ - | \$ 14,850 | \$ (40,502) |
| Amounts related to pensions, See Note 9 | <u>(136,612)</u> | <u>(698,246)</u> | <u>-</u> | <u>(834,858)</u> |
| Total deferred inflows | <u>\$ (191,964)</u> | <u>\$ (698,246)</u> | <u>\$ 14,850</u> | <u>\$ (875,360)</u> |

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2018 consisted of the following:

| | |
|-----------------------|------------------------------|
| Vendors | \$ 152,581 |
| Salaries and benefits | <u>211,662</u> |
| Total | <u><u>\$ 364,243</u></u> |

Note 7 - REVENUE BONDS

Revenue bonds as of June 30, 2018 consists of the following:

| | |
|--|-----------------------------|
| <p>Taxable Water Revenue Bonds, Series 2014A payable in the amount of \$4,200,000, issued December 23, 2014, with a yield of 2.95% (plus a 5% annual administrative fee) for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system. The bonds were purchased by the Louisiana Department of Health and Hospitals and bond proceeds are distributed from time to time as construction progresses. The terms of the Loan and Pledge Agreement accompanying the bonds contain a 30% principal forgiveness provision on each draw down limited to \$1,125,000. Additional borrowings of \$1,647,412, after application of 30% principal forgiveness, are available as of June 30, 2018, after application of unreimbursed costs. The bonds are scheduled to mature November 1, 2035.</p> | \$ 1,364,588 |
| <p>Revenue Refund Bonds, Series 2014 payable in the amount of \$5,995,000, issued May 6, 2014, with a premium of \$195,243 and a yield of 2.92%, to refund \$6,610,000 of outstanding Water Revenue Refunding Bonds, Series 2003A and are scheduled to mature November 1, 2023.</p> | 5,995,000 |
| <p>Revenue Bonds, Series 2012A payable in the amount of \$17,300,000, issued October 30, 2012 with a premium of \$1,240,525 for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system, with a yield of 4.64 %, and final maturity November 1,</p> | 15,800,000 |
| <p>Water Revenue Bonds, Series 2010 payable in the amount of \$1,900,000, issued December 29, 2010, with a yield of 2.95% (plus a 5% annual administrative fee) for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system. The bonds were purchased by the Louisiana Department of Health and Hospitals and are scheduled to mature November 1, 2030.</p> | <u>1,350,000</u> |
| Total | <u><u>\$ 24,509,588</u></u> |

Note 7 - REVENUE BONDS (Continued)

The following is a summary of bond transactions of the District for the year ended June 30, 2018:

| | Water Revenue Bonds |
|------------------------------------|------------------------|
| Bonds payable at July 1, 2017 | \$ 24,989,118 |
| Bonds Issued | 558,470 |
| Bonds retired | (1,038,000) |
| Bonds payable at June 30, 2018 | 24,509,588 |
| Plus: | |
| Unamortized bond premium | 900,461 |
| Net bonds payable at June 30, 2018 | \$ 25,410,049 |
| Classified as: | |
| Long-term | \$ 23,657,551 |
| Current | 1,752,498 |
| Total | \$ 25,410,049 |

The annual requirements to amortize debt outstanding for water revenue bonds, assuming full issuance of the Taxable Water Revenue Bonds, Series 2014A, as of June 30, 2018, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------|---------------|---------------|
| 2019 | \$ 1,661,000 | \$ 988,726 | \$ 2,649,726 |
| 2020 | 1,703,000 | 941,229 | 2,644,229 |
| 2021 | 1,765,000 | 884,684 | 2,649,684 |
| 2022 | 1,828,000 | 824,666 | 2,652,666 |
| 2023 | 1,875,000 | 762,762 | 2,637,762 |
| 2024 - 2028 | 5,746,000 | 3,138,806 | 8,884,806 |
| 2029 - 2033 | 5,451,000 | 2,062,352 | 7,513,352 |
| 2034 - 2038 | 5,969,000 | 723,986 | 6,692,986 |
| Total | \$ 25,998,000 | \$ 10,327,211 | \$ 36,325,211 |

Note 7 - REVENUE BONDS (Continued)

Under the terms of the bond indentures for outstanding Water Revenue Bonds, principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operations of the District. All revenues must be deposited in the District and required transfers made to the following accounts (funds) on a monthly basis after the payment of operating expenses:

a) Revenue Bond Sinking Fund

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

b) Bond Reserve Fund

The Reserve Fund is required to be funded in an amount equal to the lesser of (i) 10% of the proceeds of the bonds, (ii) the highest combined principal and interest requirements for any succeeding year or (iii) 125% of the average aggregate amount of principal and interest becoming due.

Monies in the amount of \$2,120,242 have been deposited into this fund. This amount is equal to 125% of the average aggregate amount of principal and interest becoming due in any future year on the District's outstanding water revenue bonds. The Fund is restricted to the payment of principal and interest in case of default.

c) Depreciation and Contingencies Fund

Monthly transfers of 5% of gross revenues of the District for the preceding month are required. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the District. It will also be used to pay principal and interest if there are not sufficient funds in the Revenue Bond Sinking Fund and Bond Reserve Fund.

d) Bond Requirements

The accounting requirements of the bond resolution for Water Revenue Bonds, as stated in a) through c) above, have been complied with for the year ended June 30, 2018.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental, long-term care, life insurance and Medicare supplement premiums for eligible employees, retirees and their dependents as allowed by policy set by the Board of Commissioners. The District funds 85% premium for all active employees and 100% premium for retirees with at least twenty years of service upon retiring from the Parochial Employees' Retirement System, see Note 9. The District does not issue a publicly available financial report on the Plan.

Employee Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms.

| | |
|---|-------------------|
| Inactive employees currently receiving benefits payments | 27 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>89</u> |
| Total | <u><u>116</u></u> |

Total OPEB Liability

The District's total OPEB liability of \$9,683,388 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in June 30, 2018 was determined using the actuarial assumptions and other inputs on the following page, applied to all periods included in the measurement, unless otherwise specified:

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

| | |
|--|---|
| Measurement date | June 30, 2018 |
| Actuarial valuation date | July 1, 2017 |
| Inflation | 3.00% |
| Salary increases, includes inflation | 3.00% |
| Discount rate | 3.62% |
| Healthcare cost trend rates | Pre-65 Medical - 0.00% in year 1, 7.00% in year 2 decreasing in decrements of 0.50% per year until 4.00% in year 8, increased to 5.00% for years 9 and 10. Medicare Supplement - 2.50% in year 1 increasing to 5.00% in years 2 through 10. Dental - (1.49)% in year 1, 3.25% in year 2, and 3.00% in years 3 through 10. |
| Retirees' share of benefit-related costs | Retirees are eligible to continue their medical, dental, long-term care, and life insurance coverage. To be eligible, an employee must retire from the District, be eligible to receive retirement Parochial Employees' Retirement System and have 20 years of service with the District. |

The discount rate was based on June 30, 2018 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RPH-2014 Employee Mortality Tables, generational mortality improvement using Scale MP-2017 for males or females, as appropriate.

Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, generational mortality improvement using Scale MP-2017 for males or females, as appropriate.

Changes in Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at June 30, 2017, restated | \$ <u>9,316,089</u> |
| Changes for the year: | |
| Service cost | 312,941 |
| Interest | 343,327 |
| Difference between expected and actual experience | 745 |
| Benefit payments | <u>(289,714)</u> |
| Net changes | <u>367,299</u> |
| Balance at June 30, 2018 | <u>\$ 9,683,388</u> |

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Sensitivity to the total OPEB Liability to Change in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or higher than the current discount rate.

| | <u>1.0% Decrease (2.62%)</u> | <u>Current Discount Rate (3.62%)</u> | <u>1.0% Increase (4.62%)</u> |
|----------------------|--------------------------------------|--|--------------------------------------|
| Total OPEB Liability | <u>\$ 11,486,845</u> | <u>\$ 9,683,388</u> | <u>\$ 8,245,888</u> |

Sensitivity to the total OPEB Liability to Change in the Health Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower ((1.0% pre-65 medical, 1.5% Medicare supplement, and (2.49%) dental) or higher (1.0% pre-65 medical, 3.5% Medicare supplement and 0.49% dental) than the current healthcare cost trend rates.

| | <u>1.0% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1.0% Increase</u> |
|----------------------|--------------------------|---|--------------------------|
| Total OPEB Liability | <u>\$ 8,049,825</u> | <u>\$ 9,683,388</u> | <u>\$ 11,857,684</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized total OPEB expense of \$605,289. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | <u>\$ 639</u> | <u>\$ -</u> |

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

| <u>For the Year Ended June 30,</u> | <u>Amount</u> |
|--|---------------|
| 2019 | \$ 106 |
| 2020 | 106 |
| 2021 | 106 |
| 2022 | 106 |
| 2023 | 106 |
| Thereafter | <u>109</u> |
| Total | <u>\$ 639</u> |

Note 9 - PENSION PLAN

Plan Description. The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically and other general laws of the State of Louisiana.

Benefits Provided. The System provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.0% of the member's final average compensation multiplied by the years of creditable service. For members hired prior to January 1, 2007 they may retire with full benefits at age 55 upon completing 30 years of service, retire at age 60 after completing 10 years of service or retire at age 65 after completing 7 years of service. For members hired on or after January 1, 2007 they may retire with full benefits at age 55 after completing 30 years of service, retire at age 62 after completing 10 years of service or retire at age 67 after completing 7 years of service. Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During the

Note 9 - PENSION PLAN (Continued)

three year period, employer contributions continue but employee contributions cease. The election to participate in DROP is irrevocable once participation begins. The monthly retirement benefits are paid into the DROP Fund. Upon termination of employment a participant in DROP may receive a lump sum equal to payments into the participant's account, an annuity or a roll over to an Individual Retirement Account. Members hired before January 1, 2007 with 5 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Members hired after January 1, 2007 with 7 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's years of creditable service and compensation and the dependent's relationship to the deceased member. The System provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State Legislature.

Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ending December 31, 2017, the actuarial employer contribution rate was 6.75% of member's compensation. However, the actual rate for the year ended December 31, 2017 was 8.00% and 7.50% for the year ending December 31, 2018.

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

Contributions to the System from the District were \$318,864 for the year ended June 30, 2018.

Pension Liabilities and Assets. At June 30, 2018, the District reported an asset of \$491,478 for its proportionate share of the net pension liability. The net pension liability 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 long-term 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 3.90618%, which was an increase of .24038% from its proportion measured as of December 31, 2016.

Note 9 - PENSION PLAN (Continued)

Pension Expense. For the year ended June 30, 2018, the District recognized pension expense of \$287,401.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ (255,954) |
| Net difference between projected and actual earnings on pension plan investments | - | (578,447) |
| Changes in assumptions | 289,171 | |
| Changes in proportion | 4,687 | (457) |
| Contributions subsequent to the measurement date | <u>154,871</u> | <u>-</u> |
| | <u>\$ 448,729</u> | <u>\$ (834,858)</u> |

The District reported \$154,871 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>For the Year Ended June 30,</u> | <u>Amount</u> |
|--|---------------------|
| 2019 | \$ (24,637) |
| 2020 | (78,324) |
| 2021 | (213,845) |
| 2022 | <u>(224,194)</u> |
| Total | <u>\$ (541,000)</u> |

Note 9 - PENSION PLAN (Continued)

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension asset as of December 31, 2017 are as follows:

| | |
|---|--|
| Valuation Date | December 31, 2017 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Expected Remaining Service Lives | 4 years |
| Investment Rate of Return | 6.75%, net of investment expense |
| Projected Salary Increases | 5.25% (2.75% merit, 2.50% inflation) |
| Mortality Rates | RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. |

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

Note 9 - PENSION PLAN (Continued)

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 as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------------|------------------------------|---|
| Fixed income | 35.00% | 1.24% |
| Equity | 52.00% | 3.57% |
| Alternatives | 11.00% | 0.69% |
| Real assets | <u>2.00%</u> | <u>0.12%</u> |
| Totals | <u>100.00%</u> | 5.62% |
| Inflation | | <u>2.00%</u> |
| Expected Arithmetic Nominal Return | | <u>7.62%</u> |

Discount Rate. The discount rate used to measure the collective 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 in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the collective net pension asset using the discount rate of 6.75%, as well as what the District's proportionate share of the net pension 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 %) than the current rate:

| | <u>1.0% Decrease (5.75%)</u> | <u>Current Discount Rate (6.75%)</u> | <u>1.0% Increase (7.75%)</u> |
|--|--------------------------------------|--|--------------------------------------|
| District's proportionate share of the net pension liability (asset) | <u>\$ 1,047,257</u> | <u>\$ (491,478)</u> | <u>\$ (1,789,454)</u> |

Note 9 - PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position. The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on their financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System's website, www.persla.org or on the Louisiana Legislative Auditor's website, www.lla.la.gov.

Note 10 - LITIGATION

The District is involved in disputes in the normal course of business. Management believes the resolution of these matters will not have a material effect on the District's financial position or the results of operations. Accordingly, no obligations for claims or litigation have been recognized in the financial statements.

Note 11 - BOARD MEMBERSHIP AND COMPENSATION OF BOARD COMMISSIONERS

Included in administrative expenses is the per diem payments and mileage reimbursement to members of the Board of Commissioners. In accordance with the State of Louisiana Statutes commissioners receive \$60 per meeting attended, limited to 24 regularly scheduled meetings and 12 special meetings each year.

| <u>Board members</u> | <u>Number of Meetings Attended</u> | <u>Payments for</u> | | <u>Total Amount</u> |
|----------------------|------------------------------------|--------------------------|-----------------|---------------------|
| | | <u>Meetings Attended</u> | <u>Mileage</u> | |
| Charles Brown | 19 | \$ 1,140 | \$ 100 | \$ 1,240 |
| Vincent Celestin | 25 | 1,500 | 171 | 1,671 |
| Bobby Cockerham | 23 | 1,380 | 129 | 1,509 |
| Stephen Hornsby | 23 | 1,380 | 166 | 1,546 |
| David Mosely | 23 | 1,380 | 333 | 1,713 |
| Kenneth Pitre | 20 | 1,200 | 307 | 1,507 |
| John Pizzolatto | 24 | 1,440 | 75 | 1,515 |
| Clifton Stoufflet | 24 | 1,440 | 52 | 1,492 |
| Jeff Teuton | 1 | - | - | - |
| Chester Voisin | 25 | 1,500 | 547 | 2,047 |
| Totals | | <u>\$ 12,360</u> | <u>\$ 1,880</u> | <u>\$ 14,240</u> |

Note 12 - CONCENTRATIONS

In May 2013, voters in Terrebonne Parish approved a 2.11 mill parish-wide ad valorem tax dedicated to the Bayou Lafourche Freshwater District. The tax, which was assessed November 1, 2013, provides for voting membership by representatives of Terrebonne Parish on the Bayou Lafourche Freshwater District Board. The District purchases its raw water supply from the Bayou Lafourche Freshwater District. The cost of raw water to the District is based upon the amount of water drawn from Bayou Lafourche and has been established \$.03 per 1,000 gallons. For the year ended June 30, 2018, the District recognized \$160,835 as raw water expenses for purchases from the Bayou Lafourche Freshwater District.

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 13, 2018 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

| | |
|--|---------------------|
| Total OPEB Liability | |
| Service cost | \$ 312,941 |
| Interest | 343,327 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 745 |
| Changes in assumptions or other inputs | - |
| Benefit Payments | <u>(289,714)</u> |
| Net Change in Total OPEB Liability | 367,299 |
| Total OPEB Liability, beginning of year | <u>9,316,089</u> |
| Total OPEB Liability, end of year | <u>\$ 9,683,388</u> |
| Covered Employee Payroll | <u>\$ 3,990,009</u> |
| Total OPEB liability as a percentage of covered employee payroll | <u>242.69%</u> |
| Notes to Schedule: | |
| Changes of Benefit Terms: | None |
| Changes of assumptions and other inputs reflected the effects of changes in the discounts rate each period: | <u>3.62%</u> |

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the three years ended June 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|---------------------|
| District's proportion of the net pension liability | 3.90618% | 3.66580% | 3.54788% |
| District's proportionate share of the net pension liability (asset) | <u>\$ (491,478)</u> | <u>\$ 476,214</u> | <u>\$ 631,681</u> |
| District's covered-employee payroll | <u>\$ 3,961,167</u> | <u>\$ 3,651,837</u> | <u>\$ 3,410,054</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>-12.41%</u> | <u>13.040%</u> | <u>18.524%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>104.02%</u> | <u>95.50%</u> | <u>93.48%</u> |

SCHEDULE OF DISTRICT CONTRIBUTIONS**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the three years ended June 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|---------------------|
| Contractually required contributions | \$ 318,864 | \$ 313,116 | \$ 299,993 |
| Contributions in relation to the contractually required contribution | <u>(318,864)</u> | <u>(313,116)</u> | <u>(299,993)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's's covered-employee payroll | <u>\$ 4,114,857</u> | <u>\$ 3,913,945</u> | <u>\$ 3,516,491</u> |
| Contributions as a percentage of covered-employee payroll | <u>7.75%</u> | <u>8.00%</u> | <u>8.53%</u> |

SUPPLEMENTARY INFORMATION SECTION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

Agency Head Name: Michael Sobert

| Purpose | <u>Amount</u> |
|--|-------------------|
| Salary | \$ 129,563 |
| Benefits - insurance | 13,021 |
| Benefits - retirement | 10,041 |
| Benefits - other | - |
| Car allowance | - |
| Vehicle provided by government | 750 |
| Per diem | - |
| Reimbursements | 420 |
| Travel | - |
| Registration fees | 1,172 |
| Conference travel | 178 |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Meals | - |
| | <u>\$ 155,145</u> |

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (BUDGET AND ACTUAL)**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|---------------|---|
| | Original | Final | | |
| OPERATING REVENUES | | | | |
| Revenues from water sales and services | \$ 16,294,000 | \$ 16,338,000 | \$ 16,443,692 | \$ 105,692 |
| Other operating revenues | 427,000 | 925,500 | 744,606 | (180,894) |
| Total operating revenues | 16,721,000 | 17,263,500 | 17,188,298 | (75,202) |
| OPERATING EXPENSES | | | | |
| Personal services | 7,069,066 | 6,908,066 | 6,533,510 | 374,556 |
| Supplies and materials | 1,766,950 | 1,804,750 | 1,712,994 | 91,756 |
| Other services and charges | 3,707,650 | 3,716,700 | 3,683,579 | 33,121 |
| Depreciation and amortization | 3,450,734 | 3,450,734 | 3,450,734 | - |
| Total operating expenses | 15,994,400 | 15,880,250 | 15,380,817 | 499,433 |
| Operating income | 726,600 | 1,383,250 | 1,807,481 | 424,231 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 57,500 | 225,000 | 243,610 | 18,610 |
| Intergovernmental | 5,569 | 5,569 | 5,569 | - |
| Amortization of bond premium and discount, net | 97,934 | 97,934 | 97,934 | - |
| Bond interest | (946,997) | (946,997) | (946,997) | - |
| Loss on disposal of asset | (2,760) | (2,760) | (2,760) | - |
| Total non-operating revenues (expenses) | (788,754) | (621,254) | (602,644) | 18,610 |
| Change in net position before capital contributions | (62,154) | 761,996 | 1,204,837 | 442,841 |
| CAPITAL CONTRIBUTIONS | 284,820 | 284,820 | 284,820 | - |
| Change in net position | \$ 222,666 | \$ 1,046,816 | 1,489,657 | \$ 442,841 |
| NET POSITION | | | | |
| Beginning of year, as restated | | | 85,500,386 | |
| End of year | | | \$ 86,990,043 | |

SCHEDULE OF OPERATING REVENUES (BUDGET AND ACTUAL)**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUE FROM WATER SALES AND SERVICE CHARGES | | | | |
| Customers | \$ 15,900,000 | \$ 15,900,000 | \$ 15,988,412 | \$ 88,412 |
| Parish of Lafourche | 33,000 | 33,000 | 32,445 | (555) |
| Service connection fees | 126,000 | 155,000 | 159,140 | 4,140 |
| Meter installation fees | 135,000 | 135,000 | 136,771 | 1,771 |
| Penalties - reconnections | 100,000 | 115,000 | 126,924 | 11,924 |
| | | | | |
| Total revenue from water sales and services | <u>16,294,000</u> | <u>16,338,000</u> | <u>16,443,692</u> | <u>105,692</u> |
| OTHER OPERATING REVENUES | | | | |
| Service agreements: | | | | |
| Sewerage Districts | 220,000 | 220,000 | 209,446 | (10,554) |
| Garbage Collections | 130,000 | 130,000 | 110,557 | (19,443) |
| LA Act 125 | 22,000 | 25,000 | 25,672 | 672 |
| Miscellaneous: | | | | |
| Intergovernmental | - | 240,000 | 239,345 | (655) |
| Other | 55,000 | 310,500 | 159,586 | (150,914) |
| | | | | |
| Total other operating revenues | <u>427,000</u> | <u>925,500</u> | <u>744,606</u> | <u>(180,894)</u> |
| | | | | |
| Total operating revenues | <u>\$ 16,721,000</u> | <u>\$ 17,263,500</u> | <u>\$ 17,188,298</u> | <u>\$ (75,202)</u> |

SCHEDULE OF DEPARTMENTAL EXPENSES (BUDGET AND ACTUAL)**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| ADMINISTRATIVE | | | | |
| Personal services: | | | | |
| Salaries | \$ 423,000 | \$ 432,000 | \$ 434,052 | \$ (2,052) |
| Other postemployment benefit costs | 35,960 | 35,960 | 14,190 | 21,770 |
| Employee group insurance | 107,000 | 99,500 | 96,753 | 2,747 |
| Payroll taxes | 42,000 | 42,000 | 42,112 | (112) |
| Retirement | 34,000 | 34,000 | 30,005 | 3,995 |
| Total personal services | 641,960 | 643,460 | 617,112 | 26,348 |
| Supplies and materials: | | | | |
| Office supplies and expense | 40,000 | 40,000 | 40,827 | (827) |
| Gasoline and oil | 1,500 | 1,900 | 1,916 | (16) |
| Total supplies and materials | 41,500 | 41,900 | 42,743 | (843) |
| Other services and charges: | | | | |
| Accounting and consulting | 50,000 | 50,000 | 50,000 | - |
| Attorney | 125,000 | 125,000 | 93,839 | 31,161 |
| Board meetings | 17,000 | 17,000 | 14,240 | 2,760 |
| Bond agent fees | 5,000 | 2,600 | 2,600 | - |
| Consulting engineer | 15,000 | 9,500 | 9,200 | 300 |
| Insurance and bonds | 33,000 | 33,000 | 33,757 | (757) |
| Janitorial services | 20,000 | 20,000 | 18,000 | 2,000 |
| Publish proceedings | 5,000 | 5,000 | 2,846 | 2,154 |
| Radio communications | 7,000 | 15,000 | 14,506 | 494 |
| Repairs and maintenance: | | | | |
| Equipment and building repairs | 25,000 | 60,000 | 61,009 | (1,009) |
| Truck and auto repairs | 500 | 500 | 78 | 422 |
| Seminars and schools | 19,000 | 10,000 | 6,451 | 3,549 |
| Utilities - office | 26,000 | 26,000 | 29,436 | (3,436) |
| Total other services and charges | 347,500 | 373,600 | 335,962 | 37,638 |
| Total administrative | 1,030,960 | 1,058,960 | 995,817 | 63,143 |

**Schedule 4
(Continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| BILLING AND COLLECTIONS | | | | |
| Personal services: | | | | |
| Salaries | 348,250 | 347,000 | 337,423 | 9,577 |
| Other postemployment benefit costs | 63,444 | 63,444 | 11,918 | 51,526 |
| Employee group insurance | 126,000 | 120,000 | 115,697 | 4,303 |
| Payroll taxes | 34,500 | 34,500 | 31,474 | 3,026 |
| Retirement | 28,000 | 28,000 | 23,485 | 4,515 |
| Total personal services | <u>600,194</u> | <u>592,944</u> | <u>519,997</u> | <u>72,947</u> |
| Supplies and materials: | | | | |
| Gasoline and oil | 1,500 | 1,900 | 1,916 | (16) |
| Office supplies and expense | 60,000 | 60,000 | 59,566 | 434 |
| Total supplies and materials | <u>61,500</u> | <u>61,900</u> | <u>61,482</u> | <u>418</u> |
| Other services and charges: | | | | |
| Collection agency | 12,000 | 9,000 | 9,286 | (286) |
| Data processing | 80,000 | 88,000 | 92,528 | (4,528) |
| Equipment maintenance/lease | 42,000 | 45,000 | 43,144 | 1,856 |
| Insurance and bonds | 30,000 | 30,000 | 26,550 | 3,450 |
| Merchant card fees | 140,000 | 165,000 | 165,315 | (315) |
| Postage | 245,000 | 235,000 | 233,969 | 1,031 |
| Radio communications | 8,000 | 9,000 | 2,651 | 6,349 |
| Repairs and maintenance: | | | | |
| Truck and auto repairs | 500 | 500 | 395 | 105 |
| Seminars and schools | 1,000 | 1,000 | 518 | 482 |
| Telephone | - | - | 5,985 | (5,985) |
| Total other services and charges | <u>558,500</u> | <u>582,500</u> | <u>580,341</u> | <u>2,159</u> |
| Total billing and collections | <u>1,220,194</u> | <u>1,237,344</u> | <u>1,161,820</u> | <u>75,524</u> |
| METER READING | | | | |
| Personal services: | | | | |
| Salaries | 368,500 | 368,500 | 367,666 | 834 |
| Other postemployment benefit costs | 86,030 | 86,030 | 54,759 | 31,271 |
| Employee group insurance | 167,500 | 146,500 | 142,416 | 4,084 |
| Payroll taxes | 37,000 | 37,000 | 33,936 | 3,064 |
| Retirement | 29,750 | 29,750 | 25,365 | 4,385 |
| Total personal services | <u>688,780</u> | <u>667,780</u> | <u>624,142</u> | <u>43,638</u> |

**Schedule 4
(Continued)**

Variance with
Final Budget -
Positive
(Negative)

| | Budgeted Amounts | | Actual | |
|------------------------------------|------------------|----------------|----------------|-----------------|
| | Original | Final | | |
| METER READING (Continued) | | | | |
| Supplies and materials: | | | | |
| Gasoline and oil | 18,000 | 25,000 | 25,867 | (867) |
| Office supplies and expense | 2,500 | 1,000 | 522 | 478 |
| Small tools | 2,500 | 500 | 81 | 419 |
| Total supplies and materials | <u>23,000</u> | <u>26,500</u> | <u>26,470</u> | <u>30</u> |
| Other services and charges: | | | | |
| Insurance and bonds | 41,000 | 41,000 | 39,146 | 1,854 |
| Radio communications | 7,500 | 7,500 | 6,973 | 527 |
| Repairs and maintenance: | | | | |
| Equipment and building repairs | 7,500 | 7,500 | 5,974 | 1,526 |
| Truck and auto repairs | 10,000 | 7,000 | 6,629 | 371 |
| Seminars and schools | 1,000 | 1,000 | 1,056 | (56) |
| Total other services and charges | <u>67,000</u> | <u>64,000</u> | <u>59,778</u> | <u>4,222</u> |
| Total meter reading | <u>778,780</u> | <u>758,280</u> | <u>710,390</u> | <u>47,890</u> |
| WAREHOUSE AND METER SHOP | | | | |
| Personal services: | | | | |
| Salaries | 170,000 | 190,500 | 185,531 | 4,969 |
| Other postemployment benefit costs | 31,291 | 31,291 | 76,140 | (44,849) |
| Employee group insurance | 59,500 | 55,500 | 51,665 | 3,835 |
| Payroll taxes | 17,000 | 18,500 | 17,601 | 899 |
| Retirement | 10,500 | 10,500 | 9,062 | 1,438 |
| Total personal services | <u>288,291</u> | <u>306,291</u> | <u>339,999</u> | <u>(33,708)</u> |
| Supplies and materials: | | | | |
| Gasoline and oil | 1,200 | 1,200 | 839 | 361 |
| Office supplies and expenses | 3,500 | 3,500 | 3,038 | 462 |
| Small tools | 2,000 | 2,000 | 2,124 | (124) |
| Warehouse supplies | 20,000 | 20,000 | 18,945 | 1,055 |
| Total supplies and materials | <u>26,700</u> | <u>26,700</u> | <u>24,946</u> | <u>1,754</u> |

**Schedule 4
(Continued)**

Variance with
Final Budget -
Positive
(Negative)

| | Budgeted Amounts | | Actual | |
|---|------------------|------------------|------------------|-----------------|
| | Original | Final | | |
| WAREHOUSE AND METER SHOP (Continued) | | | | |
| Other services and charges: | | | | |
| Freight | 1,000 | 1,000 | 423 | 577 |
| Insurance and bonds | 11,750 | 13,500 | 12,717 | 783 |
| Radio communication | 1,000 | 1,500 | 1,275 | 225 |
| Repairs and maintenance: | | | | |
| Equipment and building repairs | 8,000 | 9,500 | 7,950 | 1,550 |
| Meter repair parts | 5,000 | 2,500 | 1,647 | 853 |
| Seminars and schools | 1,000 | 3,000 | 2,815 | 185 |
| | <u>27,750</u> | <u>31,000</u> | <u>26,827</u> | <u>4,173</u> |
| Total other services and charges | | | | |
| Total warehouse and meter shop | <u>342,741</u> | <u>363,991</u> | <u>391,772</u> | <u>(27,781)</u> |
| ENGINEERING | | | | |
| Personal services: | | | | |
| Salaries | 794,500 | 754,500 | 753,751 | 749 |
| Other postemployment benefit costs | 68,880 | 68,880 | 91,579 | (22,699) |
| Employee group insurance | 188,600 | 158,600 | 155,228 | 3,372 |
| Payroll taxes | 78,500 | 74,000 | 71,733 | 2,267 |
| Retirement | 56,750 | 52,500 | 46,481 | 6,019 |
| | <u>1,187,230</u> | <u>1,108,480</u> | <u>1,118,772</u> | <u>(10,292)</u> |
| Total personal services | | | | |
| Supplies and materials: | | | | |
| Computer supplies | 6,000 | 6,000 | 4,116 | 1,884 |
| Gasoline and oil | 9,500 | 13,000 | 13,410 | (410) |
| Office supplies and expenses | 6,500 | 10,500 | 10,423 | 77 |
| | <u>22,000</u> | <u>29,500</u> | <u>27,949</u> | <u>1,551</u> |
| Total supplies and materials | | | | |
| Other services and charges: | | | | |
| GIS network | 50,000 | 50,000 | 43,377 | 6,623 |
| Insurance and bonds | 51,000 | 53,000 | 51,464 | 1,536 |
| Radio communications | 15,000 | 15,000 | 13,410 | 1,590 |
| Repairs and maintenance: | | | | |
| Truck and auto repairs | 8,500 | 8,500 | 6,463 | 2,037 |
| Seminars and schools | 15,000 | 21,000 | 21,210 | (210) |
| | <u>139,500</u> | <u>147,500</u> | <u>135,924</u> | <u>11,576</u> |
| Total other services and charges | | | | |
| Total engineering | <u>1,348,730</u> | <u>1,285,480</u> | <u>1,282,645</u> | <u>2,835</u> |

**Schedule 4
(Continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| OPERATIONS | | | | |
| Other services and charges: | | | | |
| Utilities | 150,000 | 150,000 | 152,499 | (2,499) |
| MAINTENANCE AND FIELD CREWS | | | | |
| Personal services: | | | | |
| Salaries | 1,020,000 | 1,010,000 | 999,036 | 10,964 |
| Other postemployment benefit costs | 157,447 | 157,447 | 45,933 | 111,514 |
| Employee group insurance | 333,000 | 290,000 | 279,176 | 10,824 |
| Payroll taxes | 100,500 | 100,500 | 94,300 | 6,200 |
| Retirement | 82,000 | 77,000 | 68,256 | 8,744 |
| Total personal services | 1,692,947 | 1,634,947 | 1,486,701 | 148,246 |
| Supplies and materials: | | | | |
| Chemicals | 25,000 | 20,000 | 20,138 | (138) |
| Gasoline and oil | 26,000 | 37,000 | 38,491 | (1,491) |
| Office supplies and expenses | 5,000 | 5,000 | 3,044 | 1,956 |
| Small tools | 10,000 | 13,750 | 12,774 | 976 |
| Total supplies and materials | 66,000 | 75,750 | 74,447 | 1,303 |
| Other services and charges: | | | | |
| Backflow prevention program | 25,000 | - | - | - |
| Freight | - | 200 | 75 | 125 |
| Insurance and bonds | 150,000 | 140,000 | 156,921 | (16,921) |
| Radio communications | 20,000 | 20,000 | 17,373 | 2,627 |
| Repairs and maintenance: | | | | |
| Equipment repairs - field | 150,000 | 150,000 | 125,891 | 24,109 |
| Truck and auto repairs | 18,000 | 20,000 | 20,550 | (550) |
| Wattertower maintenance | 50,000 | 50,000 | 32,764 | 17,236 |
| Waterline maintenance | 750,000 | 750,000 | 759,714 | (9,714) |
| Seminars and schools | 10,000 | 6,500 | 6,938 | (438) |
| Uniforms | 4,000 | 4,000 | 4,362 | (362) |
| Total other services and charges | 1,177,000 | 1,140,700 | 1,124,588 | 16,112 |
| Total maintenance and field crews | 2,935,947 | 2,851,397 | 2,685,736 | 165,661 |

**Schedule 4
(Continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| WATER PLANT | | | | |
| Personal services: | | | | |
| Salaries | 1,022,000 | 1,037,000 | 1,029,490 | 7,510 |
| Other postemployment benefit costs | 143,966 | 143,966 | 63,235 | 80,731 |
| Employee group insurance | 312,000 | 280,000 | 274,287 | 5,713 |
| Payroll taxes | 102,000 | 102,000 | 97,813 | 4,187 |
| Retirement | 82,000 | 82,000 | 71,847 | 10,153 |
| Total personal services | <u>1,661,966</u> | <u>1,644,966</u> | <u>1,536,672</u> | <u>108,294</u> |
| Supplies and materials: | | | | |
| Chemicals | 1,300,000 | 1,300,000 | 1,211,898 | 88,102 |
| Generator fuel | 15,000 | 15,000 | 7,503 | 7,497 |
| Gasoline and oil | 9,500 | 16,500 | 17,216 | (716) |
| Office supplies and expense | 13,500 | 13,500 | 11,890 | 1,610 |
| Raw water | 145,000 | 155,000 | 160,835 | (5,835) |
| Small tools | 2,000 | 2,000 | 301 | 1,699 |
| Plant supplies | 9,000 | 9,000 | 7,599 | 1,401 |
| Total supplies and materials | <u>1,494,000</u> | <u>1,511,000</u> | <u>1,417,242</u> | <u>93,758</u> |
| Other services and charges: | | | | |
| Freight | 2,500 | - | - | - |
| Insurance and bonds | 257,000 | 245,000 | 263,318 | (18,318) |
| Lab analysis | 3,000 | 500 | 81 | 419 |
| Radio communications | 20,000 | 20,000 | 8,002 | 11,998 |
| Repairs and maintenance: | | | | |
| Bayou Black reservoir maintenance | 7,500 | 7,500 | 4,270 | 3,230 |
| Plant maintenance | 250,000 | 250,000 | 259,114 | (9,114) |
| Tractor repairs | 3,000 | 3,000 | 3,039 | (39) |
| Truck and auto repairs | 5,000 | 5,000 | 2,207 | 2,793 |
| Seminars and schools | 5,000 | 5,000 | 3,691 | 1,309 |
| Telephone | - | - | 11,854 | (11,854) |
| Uniforms | 900 | 900 | 339 | 561 |
| Utilities | 575,000 | 575,000 | 601,282 | (26,282) |
| Total other services and charges | <u>1,128,900</u> | <u>1,111,900</u> | <u>1,157,197</u> | <u>(45,297)</u> |
| Total water plant | <u>4,284,866</u> | <u>4,267,866</u> | <u>4,111,111</u> | <u>156,755</u> |

**Schedule 4
(Continued)**

Variance with
Final Budget -
Positive
(Negative)

BAC-T-LAB

Personal services:

| | <u>Budgeted Amounts</u> | | | |
|------------------------------------|-------------------------|--------------|---------------|--------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Salaries | 180,500 | 186,500 | 186,727 | (227) |
| Other postemployment benefit costs | 23,898 | 23,898 | 8,906 | 14,992 |
| Employee group insurance | 71,000 | 66,500 | 64,258 | 2,242 |
| Payroll taxes | 17,800 | 17,800 | 17,324 | 476 |
| Retirement | 14,500 | 14,500 | 12,900 | 1,600 |

| | | | | |
|-------------------------|----------------|----------------|----------------|---------------|
| Total personal services | <u>307,698</u> | <u>309,198</u> | <u>290,115</u> | <u>19,083</u> |
|-------------------------|----------------|----------------|----------------|---------------|

Supplies and materials:

| | | | | |
|-----------------------------|--------|--------|--------|---------|
| Computer supplies | 750 | - | - | - |
| Gasoline and oil | 8,000 | 8,000 | 7,759 | 241 |
| Lab supplies | 17,000 | 17,000 | 24,326 | (7,326) |
| Office supplies and expense | 6,500 | 6,500 | 5,630 | 870 |

| | | | | |
|------------------------------|---------------|---------------|---------------|----------------|
| Total supplies and materials | <u>32,250</u> | <u>31,500</u> | <u>37,715</u> | <u>(6,215)</u> |
|------------------------------|---------------|---------------|---------------|----------------|

Other services and charges:

| | | | | |
|--------------------------------|--------|--------|--------|-------|
| Freight | 7,500 | 8,500 | 7,959 | 541 |
| Insurance and bonds | 20,000 | 20,000 | 18,675 | 1,325 |
| Janitorial services | 8,000 | 8,000 | 7,594 | 406 |
| Lab analysis | 45,000 | 45,000 | 45,525 | (525) |
| Radio communications | 3,500 | 3,500 | 3,285 | 215 |
| Repairs and maintenance: | | | | |
| Equipment and building repairs | 8,000 | 8,000 | 6,151 | 1,849 |
| Truck and auto repairs | 4,000 | 7,000 | 6,662 | 338 |
| Seminars and schools | 5,000 | 5,000 | 4,507 | 493 |
| Telephone | 2,000 | 2,000 | 1,622 | 378 |
| Utilities | 8,500 | 8,500 | 8,483 | 17 |

| | | | | |
|----------------------------------|----------------|----------------|----------------|--------------|
| Total other services and charges | <u>111,500</u> | <u>115,500</u> | <u>110,463</u> | <u>5,037</u> |
|----------------------------------|----------------|----------------|----------------|--------------|

| | | | | |
|-----------------|----------------|----------------|----------------|---------------|
| Total Bac-T-Lab | <u>451,448</u> | <u>456,198</u> | <u>438,293</u> | <u>17,905</u> |
|-----------------|----------------|----------------|----------------|---------------|

| | | | | |
|--------|----------------------|----------------------|----------------------|-------------------|
| Totals | <u>\$ 12,543,666</u> | <u>\$ 12,429,516</u> | <u>\$ 11,930,083</u> | <u>\$ 499,433</u> |
|--------|----------------------|----------------------|----------------------|-------------------|

OPERATING EXPENSES

| | | | | |
|----------------------------|--------------|--------------|--------------|------------|
| Personal services | \$ 7,069,066 | \$ 6,908,066 | \$ 6,533,510 | \$ 374,556 |
| Supplies and materials | 1,766,950 | 1,804,750 | 1,712,994 | 91,756 |
| Other services and charges | 3,707,650 | 3,716,700 | 3,683,579 | 33,121 |

| | | | | |
|--------|----------------------|----------------------|----------------------|-------------------|
| Totals | <u>\$ 12,543,666</u> | <u>\$ 12,429,516</u> | <u>\$ 11,930,083</u> | <u>\$ 499,433</u> |
|--------|----------------------|----------------------|----------------------|-------------------|

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
RESTRICTED ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCES**

**Consolidated Waterworks District No.1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2018

| | <u>Total</u> | <u>Revenue Bond Sinking Fund</u> | <u>Bond Reserve Fund</u> | <u>Depreciation and Contingencies Fund</u> |
|--|---------------------|--|----------------------------------|--|
| Cash and cash equivalents July 1, 2017 | \$ 6,716,044 | \$ 975,788 | \$ 2,120,242 | \$ 3,620,014 |
| Receipts: | | | | |
| Transfers from the District | 2,431,005 | 1,546,254 | - | 884,751 |
| Other deposits | 811,234 | 811,234 | - | - |
| Total assets available | <u>9,958,283</u> | <u>3,333,276</u> | <u>2,120,242</u> | <u>4,504,765</u> |
| Disbursements: | | | | |
| Retirement of matured bonds | 1,038,000 | 1,038,000 | - | - |
| Payment of matured interest coupons | 972,500 | 972,500 | - | - |
| Capital improvements | 422,232 | - | - | 422,232 |
| Total disbursements | <u>2,432,732</u> | <u>2,010,500</u> | <u>-</u> | <u>422,232</u> |
| Cash and cash equivalents June 30, 2018 | <u>\$ 7,525,551</u> | <u>\$ 1,322,776</u> | <u>\$ 2,120,242</u> | <u>\$ 4,082,533</u> |

SCHEDULE OF INSURANCE IN FORCE**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**June 30, 2018
(Unaudited)

| <u>Insurer</u> | <u>Type of Coverage</u> | <u>Amount of Insurance</u> | <u>Expiration Date</u> |
|--|--|----------------------------|------------------------|
| Arch Insurance Company | Automobile liability | \$1,000,000 | July 1, 2018 |
| Arch Insurance Company | General liability | \$3,000,000 | July 1, 2018 |
| Arch Insurance Company | General liability | \$10,000,000 | July 1, 2018 |
| Louisiana United Businesses' Association | Workers' compensation | \$1,000,000 | July 1, 2018 |
| Continental Casualty Company | Combined building and personal property | \$30,000,000 | July 1, 2018 |
| Arch Insurance Company | Public employee dishonesty, forgery or alteration, theft, disappearance, and destruction | \$100,000 | July 1, 2018 |
| Firemans Fund Insurance Companies/Allianz Global Corporate & Specialty | Computer equipment | \$178,790 | July 1, 2018 |
| American Bankers Insurance | Flood | \$500,000 | August 1, 2018 |

WATER CUSTOMERS

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 2018
(Unaudited)

Records maintained by the District indicated 43,509 water customers at June 30, 2018.

There were no unmetered customers.

SCHEDULE OF COST PER SERVICE INSTALLATION**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**For the year ended June 30, 2018
(Unaudited)

| | |
|--|-----------|
| Field Crew Overhead | |
| Chemicals | \$ 20,138 |
| Depreciation expense | 48,398 |
| Employee group insurance | 279,176 |
| Equipment repairs | 125,891 |
| Freight | 75 |
| Gasoline and oil | 38,491 |
| Insurance and bonds | 156,921 |
| Other post employment benefit costs | 45,933 |
| Office supplies and expenses | 3,044 |
| Payroll taxes | 94,300 |
| Radio communications | 17,373 |
| Retirement | 68,256 |
| Seminars and schools | 6,938 |
| Small tools | 12,774 |
| Truck and auto repairs | 20,550 |
| Uniforms | 4,362 |
| Watertower maintenance | 32,764 |
| Total field crew overhead | 975,384 |
| Service installation salaries as a percentage of total field crew salaries (\$25,581/\$999,036) | 2.56% |
| Field crew overhead applicable to service installations | 24,975 |
| Administrative Overhead | |
| Total administrative costs | 995,817 |
| Service installation salaries/Total salaries excluding administrative salaries (\$25,581/3,859,624) | 0.66% |
| Administrative overhead applicable to service installations | 6,600 |
| Total service installation overhead costs | \$ 31,575 |
| Calculation of Average Cost per Service Installation | |
| Service installation work order costs | \$ 89,210 |
| Labor and equipment contractor for service installation | 4,925 |
| Total service installation overhead costs | 31,575 |
| Total service installation costs | 125,710 |
| Number of service installations | 187 |
| Average cost per service installation | \$ 672 |

SCHEDULE OF COST OF WATER PRODUCED
AND CONTRACT PRICE OF WATER TO BE SOLD TO
LAFOURCHE PARISH WATER DISTRICT NO. 1

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the Year Ended June 30, 2018
(Unaudited)

| | |
|---|---------------------|
| Costs (From Annual Report) | |
| Water plant expense | \$ 4,111,111 |
| Administrative (25% of total) | 248,953 |
| Engineering (25% of total) | 320,661 |
| Bac-T-Lab (25% of total) | 109,573 |
| Depreciation - water filter | 124,632 |
| Depreciation - plant and equipment | <u>783,615</u> |
| Total costs | <u>\$ 5,698,545</u> |
| Water Produced (Thousand Gallons) | |
| Net production per Waterworks District No. 1's records | 5,369,775 |
| Less 10% per terms of contract | <u>(536,978)</u> |
| Net production (thousand gallons) - Unaudited | <u>4,832,797</u> |
| Cost Per Thousand Gallons | \$ 1.17914 |
| Additions to Cost | |
| Greater of 40% of cost or five cents per thousand gallons | <u>0.47166</u> |
| Total Contract Price Per Thousand Gallons | <u>\$ 1.65080</u> |

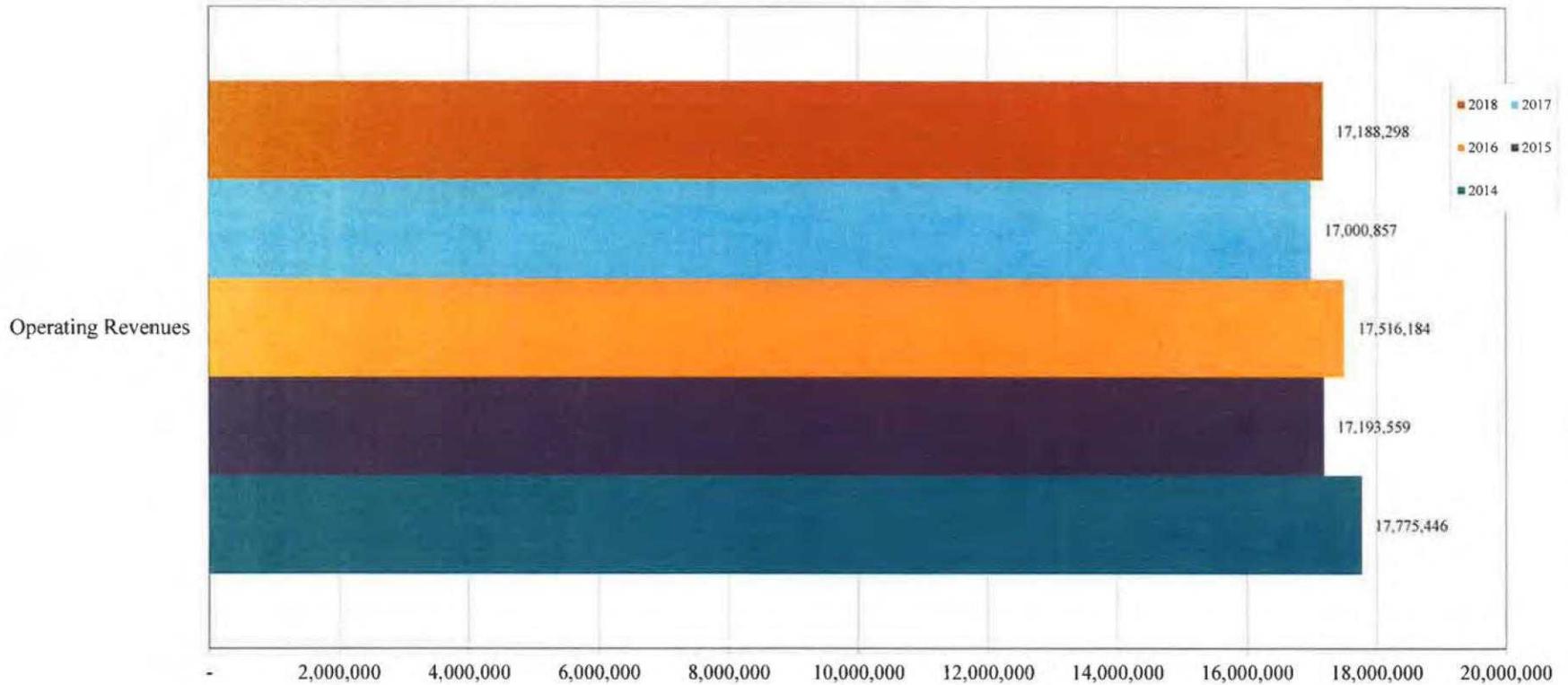
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the years ended June 30, 2018, 2017, 2016, 2015, and 2014

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES | <u>\$ 17,188,298</u> | <u>\$ 17,000,857</u> | <u>\$ 17,516,184</u> | <u>\$ 17,193,559</u> | <u>\$ 17,775,446</u> |
| OPERATING EXPENSES | | | | | |
| Personal services | \$ 6,533,510 | \$ 6,185,096 | \$ 5,575,566 | \$ 5,247,841 | \$ 5,208,068 |
| Supplies and materials | 1,712,994 | 1,758,752 | 1,792,831 | 1,727,220 | 1,837,400 |
| Other services and charges | 3,683,579 | 3,791,750 | 3,640,434 | 4,013,070 | 3,760,330 |
| Depreciation | <u>3,450,734</u> | <u>3,612,806</u> | <u>3,631,042</u> | <u>3,503,221</u> | <u>3,812,072</u> |
| Totals | <u>\$ 15,380,817</u> | <u>\$ 15,348,404</u> | <u>\$ 14,639,873</u> | <u>\$ 14,491,352</u> | <u>\$ 14,617,870</u> |

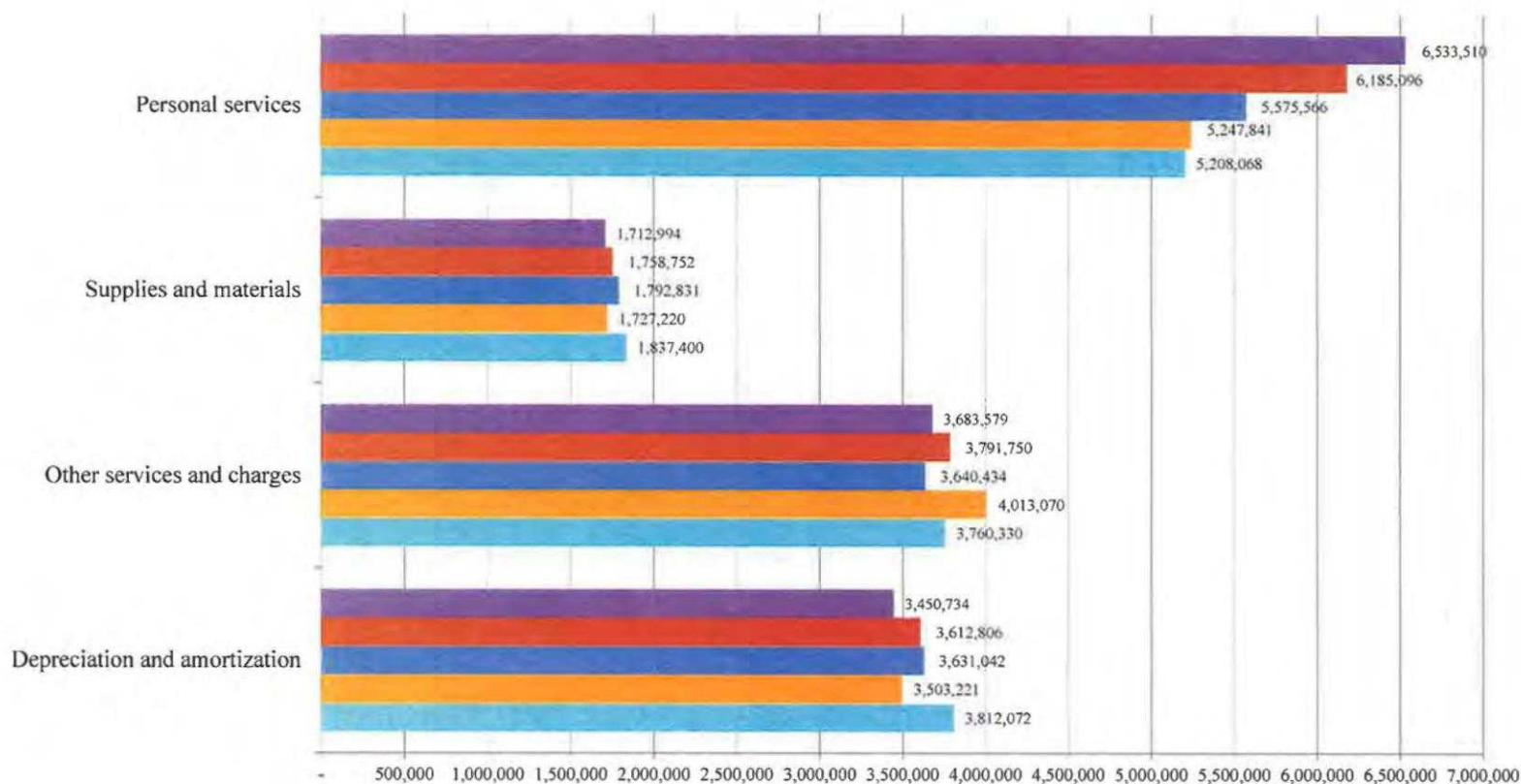
OPERATING REVENUES
Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

For the years ended June 30, 2018, 2017, 2016, 2015, and 2014



OPERATING EXPENSES
Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

For the years ended June 30, 2018, 2017, 2016, 2015, and 2014



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, 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 Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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.

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 of 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. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
December 13, 2018.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2018

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

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2017.
No significant deficiencies were reported during the audit for the year ended June 30, 2017.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2017.

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$750,000 during the year ended June 30, 2017 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2018

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

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2018.
No significant deficiencies were reported during the audit for the year ended June 30, 2018.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2018.

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$750,000 during the year ended June 30, 2018 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Consolidated Waterworks District No. 1
P.O. Box 630
Houma, LA 70361

We have performed the procedures described in Schedule 13, which were agreed to by the Consolidated Waterworks District No. 1 (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 year ended June 30, 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 the attestation standards established by the AICPA and the standards contained in Government Audit Standards issued by the Comptroller General of the United States. 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 referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 13.

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 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 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
December 13, 2018.

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana
Schedule of Procedures and Associated Findings of
Statewide Agreed-upon Procedures
For the year ended June 30, 2018**

The required procedures and our findings are as follows:

Procedures performed on the District's written policies and procedures:

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
Performance: Obtained and read the written policy for budgeting.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - 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.
Performance: Obtained and read the written policy for purchasing, and found it to contain the requirements included above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - c) Disbursements, including processing, reviewing, and approving.
Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of 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).
Performance: Obtained and read the written policy for receipts, and found it to contain the requirements listed above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's written policies and procedures: (Continued)

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Performance: Inspected written policy for payroll and personnel, and all listed requirements.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- 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.
Performance: Inspected written policy for contracting, and all listed requirements.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- 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).
Performance: Obtained and read the written policy for credit cards, and all requirements listed above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- h) Travel and expense reimbursement, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; and (4) required approvers.
Performance: Inspected travel and expense reimbursement policy, and all requirements.
Exceptions: The policy does not state dollar thresholds, but the Commission reimburses actual expenses and reserves the right to deny reimbursement of exorbitant or frivolous expenditures.
Management's response: Not applicable.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121; (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 entity's ethics policy.
Performance: Inquired of management as to an ethics policy.
Exceptions: There were no exceptions noted.
Management's response: Management has subsequently implemented an ethics policy for the District's employees.

Procedures performed on the District's written policies and procedures: (Continued)

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

Performance: Inspected debt service policy and all requirements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's Board:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Procedures performed on the District's bank reconciliations:

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

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter. Selected month of June from the fiscal period, and obtained the corresponding bank statement and reconciliation for the District's main operating account and 4 additional accounts.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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).

Performance: Observed that bank reconciliations were prepared within 2 months of the related statement closing date.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Bank reconciliations include evidence that a member of management or a 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

Performance: Observed that a member of management reviewed each bank reconciliation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's bank reconciliations: (Continued)

- 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.

Performance: Inspected documents for research on items outstanding for more than 12 months from the statement closing date.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's cash and cash accounts:

Steps 3 through 10 were performed by request of the Commission.

3. Trace beginning cash balances in the general ledger to our workpapers of the last engagement.
Performance: Traced beginning cash balances in the District's general ledger to the ending balance of our workpapers of the last engagement.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
4. Foot one cash account in the general ledger.
Performance: Footed the Construction Account in the general ledger.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
5. For one month foot the cash receipts and cash disbursements registers for one bank account.
Performance: Footed cash receipts and cash disbursements for the month of January 2018 in the Surplus Account.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
6. Trace the cash receipts and cash disbursements to the general ledger for the one month and account chosen in procedure 5.
Performance: Traced the cash receipts and cash disbursements for the month of January 2018 in the Surplus Account.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
7. Count cash in all registers and reconcile it to the daily recap.
Performance: Counted cash in all registers as of the close of business on October 9, 2018 and reconciled the total to the daily cash recap.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's cash and cash accounts: (Continued)

8. Count petty cash and agree it to the general ledger.
Performance: Counted petty cash October 12, 2018 and agreed it to the general ledger.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
9. Acquire receipts for the purchase and sales of certificates of deposits and deposits into the redemption from Louisiana Asset Management Pool, schedule activity for the period and compare activity to bank statements and agreed the information to the general ledger.
Performance: Acquired receipts for the purchase and sales of certificates of deposits and deposits into the redemption from Louisiana Asset Management Pool, scheduled activity and compared activity to the bank statements and agreed the information to the general ledger.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
10. Agree savings account balances to the bank statements and general ledgers as well as examine transfers from checking to savings accounts.
Performance: Agreed savings account balances to the bank statements and general ledgers as well as examined transfers from checking to savings accounts.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's collections:

11. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select 5 deposit sites (or all deposit sites if less than 5).
Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter. The Commission has one deposit site.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
12. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Select one collection location for each deposit site (i.e. 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:

Procedures performed on the District's collections: (Continued)

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter. The Commission has one deposit site with one collection location.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected policy manuals and inquired of management and observed employees do not share cash drawers/registers.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash are not responsible for making deposits.

Exceptions: There were no exceptions noted.

Management's response: Not applicable

- 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.

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash not make general ledger postings.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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.

Performance: Inspected policy manuals and inquired of management and observed employees performing reconciliations do not collect cash.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's collections: (Continued)

13. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
Performance: Obtained a listing of all employees who have access to cash and inquired of management if these employees are covered by a bond or insurance policy for theft.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
14. Select two deposit dates for each of the 5 bank accounts selected for procedure #2 under "Procedures performed on the Commission's bank reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
Performance: Selected 5 bank accounts from above. There were only 2 accounts that had deposits other than automatic interest deposits. The cash receipts are not pre-numbered; however, all cash receipts are logged in chronological order in each funds applicable file.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
Performance: Traced supporting documentation to the deposit slip.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
Performance: Traced deposit slip total to actual deposit per bank statement.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - 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).
Performance: Observed that the deposit was made within one business day of receipt.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's collections: (Continued)

- e) Trace the actual deposit per the bank statement to the general ledger.
Performance: Traced the actual deposit per the bank statement to the general ledger.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

15. We will review cash receipts procedures by performing the following:

- a.) Select one day of receipts per month.
- b.) Foot one teller recap for one day.
- c.) Trace teller transaction recap to daily cash recap then trace to recap by service.
- d.) Trace to cash receipts' register and daily cash reports.
- e.) Foot the daily cash reports.

Performance: Steps a) through e) were performed on the days selected in procedure 3 for the District's main operating account. We footed one teller recap on May 8, 2018. We traced teller transaction recap to daily cash recap then traced to recap by service, traced to cash receipts' register and daily cash reports, and footed the daily cash reports.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):

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

Performance: Obtained the listing of location that process payments, and received management's representation in a separate letter. The Commission only has one location that processes payments.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

17. For each location selected under #17 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 District has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payments functions, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases): (Continued)

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

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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.

Performance: Inspected policy manuals and inquired of management duties of mailing signed checks.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

18. For each location selected under #16 above, obtain the Commission's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained the Commission's general ledger for the fiscal period, and verified management's representation that the population of disbursement checks are complete in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):

- a) Observe that the disbursement matched the related original invoice/billing statement.
Performance: Selected a random sample of 25 checks and observed that the checks and the related original invoices/billing statements were in agreement.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #17, as applicable.
Performance: Obtained the disbursement documentation and observed for proper segregation of duties as listed under #17 above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's credit cards, debit cards, fuel cards, p-cards:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Procedures performed on the Commission's travel and expense reimbursements:

19. Obtain from management a listing of all travel and travel-related expenses 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 reimbursements, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - 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).
Performance: We noted on the expense reports reviewed that management reimburses the actual expenses incurred. We compared the lodging and meals to the GSA rates and the actual expenses did not exceed the GSA rates for the applicable destination.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - b.) If reimbursed using actual cost, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
Performance: Inspected travel expense reimbursements forms and related documentation. Compared amounts reimbursed to itemized receipts.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

**Procedures performed on the Commission's travel and expense reimbursements:
(Continued)**

- 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)

Performance: Inspected travel forms and other support documentation for business purpose. Business purpose and names of individuals participating in meals were recorded according to written policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected travel forms and other support documentation for approval, in writing, other than the person receiving reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's contracts:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Procedures performed on the Commission's payroll and personnel:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Procedures performed on the Commission's ethics:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Procedures performed on the Commission's debt service:

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

Other procedures performed on the Commission:

32. Perform sales trend analyses.

Performance: Reviewed sales trend analysis and concluded it was consistent with prior periods.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

33. Obtain a listing of misappropriations of public funds or 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 Commission reported the misappropriation(s) to the legislative auditor and the Commission attorney of the parish in which the Commission is domiciled.

Performance: Inquired of management and reviewed various audit documentation for any signs of misappropriations of public funds or assets, none were noted.

Exceptions: Not applicable.

Management's response: Not applicable.

34. Observe and report whether the Commission has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inquired and observed such notice posted on the premises and on their website.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.