

**WATER DISTRICT NO. 1
OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Annual Financial Report

June 30, 2019 and 2018

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STATE OF LOUISIANA
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June 30, 2019 and 2018**

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**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019 and 2018**

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

These activities of the District are accounted for much like that of a private business and use the full accrual method of accounting for transactions; and therefore all transactions are classified as "proprietary."

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Total assets increased by approximately \$.8 million while total liabilities also increased by \$1.2 million.
- Total net position increased by \$1.9 million or 2.3% from the prior year.
- Operating revenues increased by about 6.2% while operating expenses also increased by approximately 12% from the prior year.
- Non-operating revenues increased by a little over 3% while non-operating expenses also decreased.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplemental Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The *Basic Financial Statements* - Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position and the Comparative Statement of Cash Flows provide both long-term and short-term information about the overall financial data. The Comparative Statement of Net Position includes all assets, deferred inflows, liabilities, and deferred outflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports the net position in its various components. Net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure financial health, or position.

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All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance.

FINANCIAL ANALYSIS

To begin our analysis, a condensed summary of the Comparative Statement of Net Position (in millions of dollars) is presented in the following table:

Condensed Statement of Net Position
(In millions of dollars)

	<u>FY2019</u>	<u>FY2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 18.6	\$ 17.5	\$ 1.1	6.3%
Restricted Assets	4.8	5.0	(0.2)	-4.0%
Capital Assets	<u>72.9</u>	<u>73.0</u>	<u>(0.1)</u>	<u>-0.1%</u>
Total Assets	96.3	95.5	0.8	0.8%
Deferred Outflows	2.2	0.8	1.4	175.0%
Current Liabilities	1.5	1.6	(0.1)	-6.3%
Long Term Liabilities	<u>12.2</u>	<u>10.9</u>	<u>1.3</u>	<u>11.9%</u>
Total Liabilities	13.7	12.5	1.2	9.6%
Deferred Inflows	0.2	1.2	(1.0)	100.0%
Net investment in capital assets	65.8	64.3	1.5	2.3%
Restricted	3.3	3.8	(0.5)	-13.2%
Unrestricted	<u>15.5</u>	<u>14.6</u>	<u>0.9</u>	<u>6.2%</u>
Total Net Position	\$ 84.6	\$ 82.7	\$ 1.9	2.3%

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The liabilities to assets ratio, which indicates the degree to which the assets are financed through borrowing and other obligations, decreased slightly due to scheduled debt payments from 13.1% at June 30, 2018 to 14.2% at June 30, 2019. Total net position increased \$1.9 million or 2.3%.

Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased by approximately 4%. Unrestricted Net Position increased by approximately \$.9 million to \$15.5 million. The Net Investment in Capital Assets increased by \$1.5 million absorbing the remaining positive change in net position.

The following denotes explanations for some of the major changes between fiscal years, as shown in the previous table:

- Current assets increased by 6.3% primarily due to an increase in unrestricted cash and investments generated by from operations. Restricted cash and investments decreased slightly as well.
- Capital assets decreased by \$.1 million primarily due to depreciation expensed and assets disposed of that was in excess of new construction projects being entered into and completed during the fiscal year and capital assets purchased.
- Current liabilities decreased slightly due to slight decreases in accounts payables and retainage payables.
- Long term liabilities increased due to the increase in pension liabilities and other post employment benefits.

A condensed summary of the Comparative Statement of Revenues, Expenses and Changes in Net Position (in millions of dollars) is presented in the following table:

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

	FY 2019	FY 2018	Dollar Change	Percent Change
Operating Revenues	\$ 12.0	\$ 11.3	\$ 0.7	6.2%
Non-operating Revenues	3.3	3.2	0.1	3.1%
Total Revenues	15.3	14.5	0.8	5.5%
Depreciation/Amortization Expense	4.6	4.1	0.5	12.2%
Other Operating Expenses	9.0	8.0	1.0	12.5%
				-
Non-operating Expenses	(0.2)	0.2	(0.4)	200.0%
Total Expenses	13.4	12.3	1.1	8.9%
Income before Capital Contributions	1.9	2.2	(0.3)	-13.6%
				-
Capital Contributions	-	0.7	(0.7)	100.0%

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DEBT ADMINISTRATION

The District reflected the following in outstanding long term obligations at year end as shown in the table below:

	Outstanding Liabilities		
	2017	2018	2019
Water Revenue Bonds:			
\$6,450,000 dated 11/22/11	\$ 3,520,000	\$ 2,875,000	\$ 2,200,000
\$3,660,000, dated 3/19/13	2,325,000	1,965,000	1,600,000
\$5,975,000, dated 5/26/15	5,975,000	5,475,000	4,955,000
Total Water Revenue Bonds	<u>\$11,820,000</u>	<u>\$10,315,000</u>	<u>\$ 8,755,000</u>
Deferral on Refunding	(187,658)	(153,854)	(120,050)
OPEB Liability	195,236	939,819	977,456
Net Pension Liability	1,141,246	(388,156)	2,418,551
Total outstanding	<u><u>\$12,968,824</u></u>	<u><u>\$10,712,809</u></u>	<u><u>\$12,030,957</u></u>

More detailed information about long-term debt is presented in Notes 7-9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2020, it is estimated that the District:

- Will serve an average of 33,220 customers
- Will generate water sales in the amount of 2,971,581 M gallons
- Resulting water service revenues are estimated to amount to \$11,856,000

June 30, 2020 Summary of Projected Budget

Water Service Revenue	\$ 11,856,000
Operating Expenses	<u>(8,340,147)</u>
Net Operating Revenue	3,515,853
Other Income	3,215,401
Other Expenses	<u>(303,279)</u>
Net Income before Depreciation	6,427,975
Depreciation	<u>(4,150,000)</u>
Net Income	<u><u>\$ 2,277,975</u></u>

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied by the District. By election on December 6, 2014, the voters approved to continue a maximum operating and maintenance tax of 3.57 mills per annum. For the fiscal year 2019, the Board of Commissioners approved a

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3.57 mill levy on for operating and maintenance tax purposes, and such levy has been used for budget purposes for the 2020 fiscal year.

The District's capital and restricted equity budget for fiscal year 2020 provides for total expenses of \$15,157,518, including \$5,664,100 of new/carryover construction and waterline replacement projects; \$3.7 million for purification equipment and replacement; \$640,000 for distribution equipment and replacement; and \$1.4 million in office improvements and equipment. The District has budgeted \$2.7 million for new construction – the most significant project is the North Treatment Capacity Expansion for \$2.5 million.

The District has budgeted to use \$263,458 from restricted equity for the Cleaning & Painting of Elevated Storage Tanks project.

In summary, the proposed budget indicates that the District will not only meet cash requirements, but will also have fund balances as required by the outstanding bond resolutions.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of our finances and to demonstrate accountability for the money we receive. If you have questions about this report or need additional financial information, contact:

Cheryl Matherne, Office Manager,
P.O. Box 399, Lockport, LA 70374,
1-800-344-1580

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the 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 in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Statements*, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole. The schedules marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2019, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Water District No. 1 of the Parish of Lafourche's internal control over financial reporting and compliance.

Stagni & Company

Thibodaux, Louisiana
October 16, 2019

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Comparative Statement of Net Position
Water Enterprise Fund
June 30, 2019 and 2018

ASSETS

CURRENT ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,771,283	\$ 4,178,017
Investments	12,063,953	10,553,380
Receivables:		
Water sales	652,528	623,853
Unbilled water sales	1,020,823	1,068,009
Sewerage	67,533	71,593
Inventories	670,003	659,896
Prepaid insurance	306,936	306,746
	<u>18,553,059</u>	<u>17,461,494</u>

RESTRICTED ASSETS (cash and investments):

Water revenue bond current debt service cash with fiscal agent	-	327,531
Water revenue bond current debt service cash account	1,505,536	1,422,698
Water revenue bond future debt service reserve account	1,967,000	1,949,348
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	294,197	277,678
Customer meter deposits investments	850,000	850,000
	<u>4,816,733</u>	<u>5,027,255</u>

CAPITAL ASSETS

at cost (net of accumulated depreciation/amortization of \$81,050,574) and \$78,024,227 for 2018)

	<u>72,926,374</u>	<u>73,023,069</u>
TOTAL ASSETS	<u>96,296,166</u>	<u>95,511,818</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	120,050	153,854
Deferred Pension Contributions	199,367	185,416
Deferred Pension - Other	1,771,369	490,668
Deferred other post employment benefit amounts	61,176	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,151,962</u>	<u>829,938</u>

LIABILITIES

CURRENT LIABILITIES (payable from current assets):

Accounts payable and accrued expenses	79,927	78,116
Retainage payable	31,596	92,795
Due to other entities for water sale collections	159,663	168,235

CURRENT LIABILITIES (payable from restricted assets):

Interest accrued	134,738	153,781
Customer meter deposits	1,143,995	1,127,520
	<u>1,549,919</u>	<u>1,620,447</u>

LONG-TERM DEBT

Due within one year	1,625,000	1,560,000
Due after one year	7,130,000	8,755,000
Net other post employment benefits liability	977,456	939,819
Net Pension Liability (Asset)	2,418,551	(388,156)
	<u>12,151,007</u>	<u>10,866,663</u>

TOTAL LIABILITIES

	<u>13,700,926</u>	<u>12,487,110</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred pension amounts	154,059	1,158,283
Deferred other post employment benefit amounts	-	4,934
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>154,059</u>	<u>1,163,217</u>

NET POSITION

Net Investment in capital assets	65,796,374	64,268,069
Restricted for:		
Customer Deposits	1,143,995	1,127,520
Capital Projects and maintenance	263,458	817,254
Debt Service	1,894,475	1,867,562
Unrestricted	15,494,841	14,611,024
TOTAL NET POSITION	<u>\$ 84,593,143</u>	<u>\$ 82,691,429</u>

See Notes to Financial Statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Revenues, Expenses and Changes in Net Position
Water Enterprise Fund
For the years ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
Metered sales to regular customers	\$ 11,293,612	\$ 10,668,994
Metered sales to industrial and municipal customers	8,854	7,336
Connection charges and other revenues	691,276	620,186
	11,993,742	11,296,516
OPERATING EXPENSES:		
Water purchased for resale	30,110	32,493
Water treatment expenses	3,682,935	3,645,864
Transmission and distribution expenses	1,779,412	1,710,188
Customer accounts expenses	1,175,272	1,056,742
Administrative and general expenses	2,328,523	1,523,473
Depreciation and Amortization	4,630,857	4,058,646
	13,627,109	12,027,406
Operating Income (Loss)	(1,633,367)	(730,890)
NON-OPERATING REVENUE:		
Investment income	281,684	123,210
Ad Valorem taxes	2,981,490	2,981,311
Shared revenue	52,348	52,071
Other income	6,287	5,792
	3,321,809	3,162,384
NON-OPERATING EXPENSES:		
Interest on bonds	269,475	153,781
Amortization of debt discount and refunding	33,804	33,804
(Gain) loss on sale of fixed assts	(479,353)	11,692
(Gain) loss on investments	(17,652)	(17,724)
	(193,726)	181,553
Income (loss) before Capital Contributions	1,882,168	2,249,941
Capital contributions and reserve purchases	19,546	675,583
Change in net position	1,901,714	2,925,524
Net Position:		
Beginning of year	82,691,429	79,765,905
End of year	\$ 84,593,143	\$ 82,691,429

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 12,032,788	\$ 11,204,086
Cash payments to suppliers for goods and services	(4,344,403)	(3,522,607)
Cash payments made to employees for services	(4,730,106)	(4,480,498)
Net cash provided (used) by operating activities	2,958,279	3,200,981
Cash flows from noncapital financing activities:		
Ad valorem taxes received	2,981,490	2,981,311
Revenue sharing grant	52,348	52,071
Other noncapital financing revenue	6,287	(33,086)
Net cash provided (used) by noncapital financing activities	3,040,125	3,000,296
Cash flows from capital and related financing activities:		
(Aquisition) sale of capital assets	(4,035,263)	(3,394,755)
Principal paid on revenue bond maturities	(1,500,000)	(1,445,735)
Interest on revenue bonds	(288,519)	(307,562)
Net cash provided (used) for capital and related financing activities	(5,823,782)	(5,148,052)
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	(1,108,860)	(1,854,276)
Gain (loss) on sale of investments	17,646	17,718
Interest and dividends on investments	281,684	123,210
Net cash provided (used) by investing activities	(809,530)	(1,713,348)
Net increase (decrease) in cash and cash equivalents	(634,908)	(660,123)
Cash and cash equivalents at the beginning of year	6,205,924	6,866,047
Cash and cash equivalents at the end of year	\$ 5,571,016	\$ 6,205,924
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 3,771,283	\$ 4,178,017
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	-	327,531
Water revenue bond current debt service account	1,505,536	1,422,698
Customer meter deposits	294,197	277,678
	\$ 5,571,016	\$ 6,205,924
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(\$1,633,367)	(\$730,890)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	4,630,857	4,058,646
Changes in assets and liabilities:		
(Increase) decrease in receivables	22,571	(110,690)
(Increase) decrease in inventory	(10,107)	(131,368)
(Increase) decrease in prepaid insurance	(190)	5,863
Increase (decrease) in accounts payable	(6,761)	19,374
Increase (decrease) in contracts and retainage payable	(61,199)	71,786
Increase (decrease) in customer deposits	16,475	18,260
Total adjustments	4,591,646	3,931,871
Net cash provided (used) by operating activities	\$ 2,958,279	\$ 3,200,981
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$19,546	\$675,583
Net Other Postemployment Benefits Obligation Increase	\$37,637	(\$744,583)
Net Pension Obligation (Asset) Increase (Decrease)	\$2,806,707	\$1,119,816
Amortization of debt discount and refunding	\$33,804	\$33,804
Revenue from Non-Employer Contributions	\$41,640	\$38,878

See notes to financial statements.

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Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (the District) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

The District's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described as follows:

Note 1 *Summary of Significant Accounting Policies*

Reporting Entity

Based on the following criteria the District is considered a component unit of the Lafourche Parish Council. The financial statements include all accounts of the District's operations. The criteria for including organizations as component units as a reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 *Summary of Significant Accounting Policies (Continued)*

Measurement Focus and Basis of Accounting

The financial statements of the District are prepared on the accrual basis of accounting for proprietary funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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

The operating revenues of the District come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses include the cost of sales and services, administrative expenses, amortization of intangible assets and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid (i.e. maturity date of 3 months or less from the date of purchase) deposits and investments (including restricted assets and the investment in LAMP) to be cash equivalents.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 **Summary of Significant Accounting Policies (Continued)**

Receivables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories

Materials and supplies inventory is valued at cost using the first-in/first-out method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred but are merely used to facilitate effective budget control and cash planning and management. The District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets. Capital assets in service are depreciated using the straight-line method over the following useful lives:

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 **Summary of Significant Accounting Policies (Continued)**

Deferred Outflows/Inflows of Resources (Continued)

The deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflow line item relates to the implementation of GASB 68 for Pension Plans and GASB 75 for Other Post-Employment Benefits.

For GASB 68 the deferred inflows is for the proportionate share of the differences between the expected and actual experience with regard to economic or demographic factors and changes in proportion. The measurement of the total pension liability was recognized in pension expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives (4 years) of all employees that are provided with pension through the pension plan. These deferred inflows were \$154,059 and \$1,158,283 for 2019 and 2018, respectively for the measurement period (12/31/18 and 12/31/2017).

For GASB 75 the deferred inflows is also for the proportionate share of the differences between the expected and actual experience with regard to economic or demographic factors and changes in proportion. The measurement of the total OPEB liability was recognized in OPEB expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives (4 years) of all employees. These deferred inflows were \$4,934 for 2018 for the measurement period June 30, 2019.

Compensated Absences

The District has a policy that provides compensation to employees for vacation; or for illness; or for personal obligations and other responsibilities.

- Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.
- Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences (continued)

- All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31st of each year shall be lost.

The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$49,104 and \$38,555 for 2019 and 2018, respectively and is included in accounts payable and accrued expenses on the Comparative Statement of Net Position.

Pensions

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

Long term Obligations

In the proprietary fund types financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 *Summary of Significant Accounting Policies (Continued)*

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Deposits from customers on their accounts are also classified as restricted assets.

Net Position

Net position in proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. At year-end, restricted net position consisted of restricted cash and investments held for payment of future construction contracts and maintenance, held for payment of customer deposits, and held for payment of debt service.

Contributed Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 1 *Summary of Significant Accounting Policies (Continued)*

Risk Management

The District has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, end to pollution, terrorism risk, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Recently Issued Accounting Standards

The District will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 87 – *Leases*, effective for the District's fiscal year ending June 30, 2021.

The impact of this pronouncement on the District's financial statements has not been determined.

Note 2 *Budget Information*

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 21, 2018 at the regular board meeting.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 3 Deposits with Financial Institutions and Investments

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2019 and 2018, the carrying amounts of deposits were \$16,715,380 and \$15,605,695 and the bank balances were \$17,159,904 and \$16,138,840. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit risk is the risk that in an event of a bank failure, deposits may not be returned to the entity. As of June 30, 2019, and 2018, \$16,409,804 and \$15,387,203 of the bank balances was exposed to custodial credit risk.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$18,861,417 and \$16,889,611 for 2019 and 2018, respectively, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 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 entity that the fiscal agent has failed to pay deposited funds upon demand.

Investments at June 30, 2018 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$1,750,229	\$1,750,229	Less than a year
U.S. Mortgage Backed	1,949,348	1,956,348	Less than a year
Certificates of Deposits	11,150,000	11,150,000	Less than a year
TOTAL	14,849,577	14,849,570	
LAMP	453,380	453,380	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$15,302,957	\$15,302,957	

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 3 Deposits with Financial Institutions and Investments (continued)

Investments at June 30, 2019 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
Government Money Market	\$3,472,536	\$3,472,536	Less than a year
Certificates of Deposits	12,650,000	12,650,000	Less than a year
TOTAL	16,122,536	16,122,536	
LAMP	463,953	463,953	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$16,586,489	\$16,586,489	

The District invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Most of the investments are for the construction project and debt service obligation accounts and the district invests its moneys in short term maturity investments so as to have cash flows available to pay invoices on the construction projects and debt service as they become due and payable.

Credit Risk and Custodial Credit Risk. State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the District's policy to limit its investments in these investment types. At March 2018 and 2019, the District's investment in LAMP was rated AAAM by Standard & Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 3 Deposits with Financial Institutions and Investments (Continued)

The District invests in structured financial instruments, which are held by an agent in the District's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2018, the District held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. At June 30, 2019 the District invested in federated government obligations money market fund with a 7 day yield at 2.01%.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

Note 4 Ad Valorem Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
Water District Operations	3.61	3.57

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2016. The assessed values for the property on January 1, on which the 2019 and 2018 levies were based, was \$870,308,254 and \$871,328,577, respectively.

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents. The millage levied for the year June 30, 2019 and 2018 was 3.57 mills. Taxes collected as of June 30, 2019 on the 2018 taxes levied was 96%. Taxes collected as of June 30, 2018 on the 2017 taxes levied was 90%.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2019 and 2018

Note 5 *Deferred Compensation Plan*

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$18,000 for the 2019 and 2018 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$6,000 above the annual deferral limit. For the fiscal period ending June 30, 2019 and 2018, the contributions to the plan was \$27,131 and \$21,731, respectively.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979.

This provision cannot be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

The District has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered District assets, nor subject to claims or creditors of the District.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2019

Note 6 Capital Assets

Capital assets and depreciation summary follows:

Description	June 30, 2017	Net Additions/Disposals	June 30, 2018	Net Additions/Disposals	June 30, 2019
Capital assets, not being depreciated					
Land and Right of Way	\$ 1,351,109	\$ -	\$ 1,351,109	\$ -	\$ 1,351,109
Construction Projects in Progress	2,191,123	716,267	2,907,390	312,585	3,219,975
Total capital assets, not being depreciated	<u>3,542,232</u>	<u>716,267</u>	<u>4,258,499</u>	<u>312,585</u>	<u>4,571,084</u>
Capital assets, being depreciated					
Water Plant and Building	35,664,437	770,288	36,434,725	113,497	36,548,222
Transmissions and Distribution System	105,826,498	1,904,179	107,730,677	2,853,365	110,584,042
Distribution and Maintenance Equipment	922,001	62,053	984,054	(74,061)	909,993
Administration and Office Buildings	631,317	-	631,317	-	631,317
Furniture and Equipment	298,678	405	299,083	(114,053)	185,030
Transportation Equipment	631,001	25,440	656,441	(129,937)	526,504
Intangible Assets	48,875	3,625	52,500	(31,744)	20,756
Total capital assets, being depreciated	<u>144,022,807</u>	<u>2,765,990</u>	<u>146,788,797</u>	<u>2,617,067</u>	<u>149,405,864</u>
Accumulated Depreciation/Amortization					
Water Plant and Building	(18,495,522)	(1,005,037)	(19,500,559)	(589,211)	(20,089,770)
Transmissions and Distribution System	(53,718,909)	(2,600,804)	(56,319,713)	(2,711,955)	(59,031,668)
Distribution and Maintenance Equipment	(717,999)	(186,788)	(904,787)	63,331	(841,456)
Administration and Office Buildings	(453,151)	(24,417)	(477,568)	(24,110)	(501,678)
Furniture and Equipment	(236,535)	(23,308)	(259,843)	96,296	(163,547)
Transportation Equipment	(377,622)	(136,586)	(514,208)	97,792	(416,416)
Intangible Assets	(46,832)	(717)	(47,549)	41,510	(6,039)
Total accumulated depreciation/amortization	<u>(74,046,570)</u>	<u>(3,977,657)</u>	<u>(78,024,227)</u>	<u>(3,026,347)</u>	<u>(81,050,574)</u>
Total capital assets, being depreciated net	<u>69,976,237</u>	<u>(1,211,667)</u>	<u>68,764,570</u>	<u>(409,280)</u>	<u>68,355,290</u>
Total capital assets, net	<u>\$ 73,518,469</u>	<u>(\$495,400)</u>	<u>\$ 73,023,069</u>	<u>\$ (96,695)</u>	<u>\$ 72,926,374</u>
Depreciation/Amortization Expense	<u>\$ 4,167,382</u>		<u>\$ 4,058,646</u>		<u>\$ 4,630,857</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 6 Capital Assets (Continued)

Fiscal Year Ended	30-Jun-18	30-Jun-19
Assets Capitalized	\$ 2,847,717	\$4,238,298
Assets Disposed	\$ 81,675	\$1,621,231
Total Depreciation	\$ 4,057,930	\$4,628,083
Total Amortization	\$ 716	\$ 2,774

Note 7 Long-Term Debt

Long-term debt is as follows:

Water Revenue Bonds	2019	2018
Consisted of the following:		
\$6,450,000 Water Revenue Refunding Bonds dated November 22, 2011 with a Final maturity on January 1, 2022 and with interest at 2.0% to 3.5%	2,200,000	2,875,000
\$3,660,000 Water Revenue Refunding Bonds dated March 19, 2013, with a Final maturity on March 1, 2023 and with interest at 2.0% to 2.5%	1,600,000	1,965,000
\$5,975,000 Water Revenue Refunding Bonds dated May 26, 2015, with a final maturity on January 1, 2027 and with interest at 2.0-3.5%	4,955,000	5,475,000
TOTAL	\$8,755,000	\$10,315,000

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 7 Long-Term Debt (Continued)

The annual requirements to amortize all bonds outstanding, including interest payments are as follows:

Year Ended June 30, 2018	Amount
2019	\$1,867,563
2020	1,894,475
2021	1,903,025
2022	1,929,325
2023	1,150,425
2024	718,800
2025-2027	2,200,950
TOTALS	\$11,664,563

Year Ended June 30, 2019	Amount
2020	\$1,894,475
2021	1,903,025
2022	1,929,325
2023	1,150,425
2024	718,800
2025-2027	2,200,950
TOTALS	\$9,797,000

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 7 Long-Term Debt (Continued)

Long-term debt activity follows:

	July 1, 2017	Additions/ (Retirements)	June 30, 2018	Additions/ (Retirements)	June 30, 2019
Water Revenue Bonds Payable	\$11,820,000	\$(1,505,000)	\$10,315,000	\$(1,560,000)	\$8,755,000
Deferral on Refunding	(187,658)	33,804	(153,854)	33,804	(120,050)
Net OPEB Obligation	195,236	744,583	939,819	37,637	977,456
Net Pension Liability	1,141,246	(1,529,402)	(388,156)	2,806,707	2,418,551
TOTAL	\$12,968,824	\$(2,256,015)	\$10,712,809	\$(2,256,015)	\$12,030,957

Note 8 Flow of Funds; Restrictions on Use

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue must be periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses for administration, operation and maintenance.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 8 *Flow of Funds; Restrictions on Use (Continued)*

- On or before the 20th day of each month, the District must set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued November 22, 2011, March 19, 2013 and May 26, 2015, the District established and must maintain the "Reserve Fund", by transferring from bond proceeds, the sum that will at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, the District must deposit into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for caring for extensions, additions, improvements, renewals, and replacement necessary to properly operate the Water System. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. Money in this fund shall never be used for the making of extensions, additions, improvements, renewals, and replacements to the Water System if the use of said money will leave in said Renewal and Replacement Fund for the making of emergency repairs or replacements less than the sum of \$100,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount for administration, operation and maintenance expenses, is to be considered surplus and transferred to the Surplus Fund. Such funds are to be used for the purpose of constructing or acquiring extensions, additions, improvements, renewals or replacements to the water system, or for the purpose of retiring all or a portion of the Bonds, Outstanding Parity Bonds, or and Additional Parity Bonds.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 *Post-Employment Healthcare and Life Insurance Benefits*

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

Benefits Provided. Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement, provided the employee has at least 30 years of service at retirement. Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

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

	2018	2019
Inactive employees or beneficiaries currently receiving benefit payments	9	9
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	63	63
	72	72

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 Post-Employment Healthcare and Life Insurance Benefits (Continued)

Contribution Rates. Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Total OPEB Liability. The Water District's total OPEB liability of \$939,819 and \$977,456 was measured as of June 30, 2018 and 2019, respectively and was determined by an actuarial valuation as of that date. The adoption of GASB Statement No. 75 as of July 1, 2017 resulted in a restatement of net position in the Statement of Revenues, Expenses and Changes in Net Position of \$749,517 as discussed further at the end of this footnote.

Actuarial Assumptions and other inputs.

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

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	3.87%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Flat 5.5% annually

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	3.50%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of June 30, 2018 and 2019, the end of the applicable measurement period.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 Post-Employment Healthcare and Life Insurance Benefits (Continued)

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend. The actuarial assumptions used in the June 30, 2018 and 2019 evaluation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018 and 2019.

Changes in the Total OPEB Liability (Asset). The table below reflects the Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal years ending June 30, 2019 and 2018, respectively:

	2019	2018
Beginning Net OPEB Obligation	\$939,819	\$967,335*
Service Cost	12,922	12,897
Interest	36,621	37,935
Differences between expected and actual	36,079	
Changes in assumptions	29,467	(4,934)
Annual OPEB Cost	115,089	45,898
Contribution	(77,452)	(73,414)
Change in Net OPEB Obligation	37,637	(27,516)
Ending Net OPEB Obligation	\$977,456	\$939,819

* The adoption of GASB Statement No. 75 as of July 1, 2017 resulted in a restatement of the beginning Net OPEB Obligation of \$772,099 as discussed further at the end of this footnote.

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the Water District as of June 30, 2018, as well as what the Water District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1.0% Decrease (2.87%)	Current Discount Rate (3.87%)	1.0% Increase (4.87%)
Total OPEB liability	\$ 1,018,817	\$ 939,819	\$ 871,169

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 Post-Employment Healthcare and Life Insurance Benefits (Continued)

The following presents the total OPEB liability of the Water District as of June 30, 2019, as well as what the Water District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1.0% Decrease (2.50%)	Current Discount Rate (3.50%)	1.0% Increase (4.50%)
Total OPEB liability	\$ 1,065,828	\$ 977,456	\$ 901,156

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the Water District at June 30, 2018, as well as what the Water District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 870,505	\$939,819	\$ 1,020,695

The following presents the total OPEB liability of the Water District at June 30, 2019, as well as what the Water District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 899,510	\$977,456	\$ 1,069,294

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 Post-Employment Healthcare and Life Insurance Benefits (Continued)

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

For the year ended June 30, 2018, the Water District recognized OPEB expense of \$50,524 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,934)
Total	\$ -	\$ (4,934)

For the year ended June 30, 2019, the Water District recognized OPEB expense of \$53,604 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,674	\$ -
Changes in assumptions	27,503	-
Total	\$ 61,176	\$ -

Amounts reported at June 30, 2018 as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2019	(308)
2020	(308)
2021	(308)
2022	(308)
2023	(308)
Thereafter	(3,084)

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 9 Post-Employment Healthcare and Life Insurance Benefits (Continued)

Amounts reported at June 30, 2019 as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2020	4,370
2021	4,370
2022	4,370
2023	4,370
2024	4,370
Thereafter	39,328

Restatements. The net position of the Business Type Activities has been adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the District's fiscal year ending June 30, 2018.

Net position, June 30, 2017, as previously reported	\$80,515,422
Adoption of GASB Statement No. 75	<u>(749,517)</u>
Net position, June 30, 2017, as restated	<u>\$79,765,905</u>

Note 10 Pension Plan

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. That Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension Plan (Continued)

Plan Description and Provisions

All full-time employees are members of the Parochial Employees Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S. 11:1901-2025 of the Louisiana Revised Statutes (LRS). The (PERS) was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Counsel operate the System. The System provides retirement benefits to an employee of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and elect to become members of the System. All members of the (PERS) are participants in either Plan A or Plan B. 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.

All permanent eligible government employees who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. The District participates in Plan A. The types of benefits provided under this plan include:

Retirement Benefits

Any members can retire providing he/she meets one of the following criteria, if they were hired prior to January 1, 2007:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.
- Age 65 with a minimum of 7 years of creditable service

If members were hired after January 1, 2007, a member can retire providing he/she meets one of the following criteria:

- Age 55 with 30 years of service
- Age 62 with 10 years of service
- Age 67 with 7 years of service

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension Plan (Continued)

Survivor Benefits

Upon the death of any member of Plan A with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

Deferred Retirement Option Plan Benefits

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease.

The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in DROP may receive at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

Disability Benefits

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension Plan (Continued)

Cost of Living Increases

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

Contributions

Contributions by employers are actuarially determined each year. For the year ended December 31, 2017, the employer's actuarially determined contribution rate was 9.35%, however, the actual rate was 12.5%.

For the year ended December 31, 2016, the employer's actuarially determined contribution rate was 10.52%, however, the actual rate was 13.0%. Member contributions are established by state statute at 9.5% of compensation for Plan A members. The contributions are deducted from the member's salary and remitted by the participating employer.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes except Orleans and East Baton Rouge parishes. The system also received 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, but are not considered special funding situations.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources:

As of June 30, 2018 and 2017, the District reported a total of \$388,156 and \$1,141,246, respectively for its proportionate share of the net pension liability of the Parochial Employees Retirement System of Louisiana (PERS).

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

The net pension liability for June 30, 2018 and 2019 was measured as of December 31, 2017 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The proportion of the net pension liability was based on a projection of the long-term contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. The proportion of the plan was as follows:

<u>Plan</u>	<u>Proportionate share</u>	
	<u>12/31/18</u>	<u>12/31/17</u>
PERS	.544920%	.522948%

For the year ended June 30, 2018 and 2019, the District recognized pension expense as follows:

<u>Plan</u>	<u>Pension expense</u>
2018 PERS	\$ 936,744
2019 PERS	\$ 173,209

For June 30, 2018 for the December 31, 2017 measurement date the deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

<u>Plan</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<u>PERS</u>		
-Changes in proportion	\$757	\$(10,266)
-Earnings on pension plan investments		(896,754)
-Net difference between projected and actual earnings on pension plan investments	-	(251,263)
-Changes in assumptions	489,911	-
-Contributions subsequent to the measurement date	185,415	-
	<u>\$ 676,083</u>	<u>\$ (1,158,283)</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (\$185,415) 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:

Year ended December 31:	
2018	\$ 55,263
2019	(62,201)
2020	(305,251)
2021	(355,425)

For June 30, 2019 for the December 31, 2018 measurement date the deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

<u>Plan</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<u>PERS</u>		
-Changes in proportion	\$8,884	\$(6,715)
-Differences between expected and actual experience		(147,344)
-Net difference between projected and actual earnings on pension plan investments	1,157,768	-
-Changes in assumptions	604,717	-
-Contributions subsequent to the measurement date	199,867	-
	<u>\$ 1,971,236</u>	<u>\$ (154,059)</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (\$199,867) will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 554,926
2020	301,681
2021	249,261
2022	511,442

Actuarial assumptions:

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

<u>Plan</u>	<u>PERS</u>
Inflation	2.50%
Salary increases	5.25%
	(2.75% Merit/2.50% Inflation)
Investment rate of return	6.75%
Actuarial cost method	Entry age normal
Expected remaining service lives	4 years

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

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the District and the non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

Based on these assumptions, the Plans' 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 plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on pension plan investments was determined using a triangulation method which integrates CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block model (bottom-up).

Risk return, and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation 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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 are as follows:

<u>Plan</u>	<u>PERS</u>
Inflation	2.40%
Salary increases	4.75%
	(2.75% Merit/2.50% Inflation)
Investment rate of return	6.50%
Actuarial cost method	Entry age normal
Expected remaining service lives	4 years

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the District and the non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee.

Based on these assumptions, the Plans' 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 plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on pension plan investments was determined using a triangulation method which integrates CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block model (bottom-up).

Risk return, and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Totals	100%	5.62%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.62%

Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

Sensitivity of the of the District's proportionate share of the net pension liabilities to changes in the discount rate:

The following presents the District's proportionate shares of the net pension liabilities (assets) of the plan as of December 31, 2017, calculated using the discount rates as shown above, as well as what the District's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
PERS	\$1,913,752	\$ 388,156	\$ (2,437,853)

The following presents the District's proportionate shares of the net pension liabilities (assets) of the plan as of December 31, 2018, calculated using the discount rates as shown above, as well as what the District's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
PERS	\$5,136,332	\$ 2,418,551	\$ 146,704

Pension plan fiduciary net position:

Detailed information about the Plans' fiduciary net position is available in the separate issued financial statements of the Plans. The Parochial Employees' Retirement System issues a stand-alone audit report on its financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System's website: www.persla.org or on the Office of the Louisiana Legislative Auditor's official website: www.lla.state.la.us.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 10 Pension (Continued)

Support of Non-employer contributing entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2018 and 2019, the District recognized revenue as a result of support received from non-employer contributing entities of \$38,878 and \$41,640, respectively for its participation in PERS.

Payables to the pension plans:

At June 30, 2018 and 2019, there were no amounts due to the pension plan for employer and employee required contributions.

Note 11 Construction Commitments

Construction commitments at June 30, 2019 are as follows:

Project	Total Estimated Cost (1)	Costs Incurred to 6/30/19
18" Waterline Damaged	\$739,629	\$739,629
Waterline Replacement along W-122 nd St, et al	458,513	72,144
Fourchon Tank Bleach Station Canopy/Slab	32,700	16,044
Waterline Replacement along Cliff Lane, et al	408,590	-
Waterline Replacement along E Barataria St et al	475,282	86,922
Waterline Replacement along E 68 th St, et al	289,732	42,843
Waterline Replacement along W 23 rd St	104,882	41,732
South WTP Raw Water Reservoir Bypass Piping	584,907	42,276
South Plant Reservoir Pumps 5&6 Upgrade	197,200	-
12" Waterline Relocation @ E Galliano Tank	325,888	325,888
Waterline Relocation along Oaklawn Dr, et al	385,428	53,838
Totals	\$4,002,751	\$1421,316

(1) Approved budget

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2019 and 2018

Note 12 Subsequent Events

The Lafourche Parish Water District has evaluated subsequent events through the October 16, 2019 the date which the financial statements were available to be issued. There are no subsequent events to report.

***REQUIRED SUPPLEMENTAL
INFORMATION***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Per Diem and Compensation of Board of
Commissioners
June 30, 2019**

During the year the Board of Commissioners held twelve meetings. None of the Commissioners are compensated except for the Secretary Treasurer who receives \$150 per monthly meeting.

• Mr. Sidney Triche, President	\$ -0-
• Mr. Dennis Switzer, Commissioner	\$ -0-
• Mr. Nolan Cressionie, Commissioner	\$ -0-
• Mr. James Dantin, Commissioner	\$ -0-
• Mr. Manuel Delatte, Vice-President	\$ -0-
• Mr. Morris Guidry, Commissioner	\$ -0-
• Mr. Robert Pontif, Jr., Secretary/Treasurer	\$1,800
• Mr. Eric Roundtree, Commissioner	\$ -0-
• Mr. Raymond Toups, Commissioner	\$ -0-
• Mr. Barry Uzee, Commissioner	\$ -0-

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
Parochial Employees Retirement System
Last Ten Fiscal Years ****

For Fiscal Year Ended Plan Measurement Date:	June 30, 2019 December 31, 2018	June 30, 2018 December 31, 2017	June 30, 2017 December 31, 2016	June 30, 2016 December 31, 2015	June 30, 2015 December 31, 2014
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios					
Proportion of the net pension liability	0.544920%	0.522948%	0.554134%	0.526845%	0.522357%
Proportionate share of the net pension liability (asset)	\$2,418,551	(\$388,156)	\$ 1,141,246	\$ 1,386,808	\$ 142,817
Covered-employee payroll	\$ 3,283,205	\$ 2,865,462	\$ 3,276,525	\$ 2,997,201	\$ 2,916,255
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.66%	-13.55%	34.83%	46.27%	4.90%
Plan fiduciary net position as a percentage of the total pension liability	88.86%	101.98%	94.15%	92.23%	99.15%
Schedule of Required Contributions					
Contractually required contributions	\$ 376,080	\$ 343,623	\$ 429,931	\$ 420,140	\$ 465,035
Contributions made	\$ 376,080	\$ 343,623	\$ 429,931	\$ 420,140	\$ 465,035
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,283,205	\$ 2,865,462	\$ 3,348,747	\$ 3,058,322	\$ 2,964,902
Contribution as a percentage of covered employee payroll	11.45%	11.99%	12.84%	13.74%	15.68%

Note: Initial Year of GASB 68 Implementation was June 30, 2015. Schedule is intended to show information for 10 years.
Additional Years will be displayed as they become available.

Notes to Required Supplementary Information

Changes of Benefit Terms include: none none none none none

Changes of Assumptions

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ****

For Fiscal Year Ended	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	\$ 12,922	\$ 12,897
Interest	36,621	37,935
Changes of benefit terms	-	-
Differences between expected and actual experience	36,079	(4,934)
Changes of assumptions	29,467	-
Benefit payments	(77,452)	(73,414)
Net change in total OPEB liability	37,637	(27,516)
Total OPEB Liability		
Beginning	939,819	967,335
Contribution deficiency (excess)	<u>\$ 977,456</u>	<u>\$ 939,819</u>
Covered-employee payroll	\$ 3,112,243	\$ 3,021,595
Net OPEB liability as a percentage of covered-employee payroll	31.41%	31.10%

** This schedule is intended to show information for 10 years. Additional Years will be displayed as they become available.

Notes to Required Supplementary Information

<i>Benefit Changes</i>	None	None
<i>Changes of Assumptions</i>		
Discount Rate	3.50%	3.87%

***OTHER SUPPLEMENTAL
SCHEDULES***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2019 and 2018

Revenue Fund		
	2019	2018
Cash Balance, July 1	\$ 1,896,611	\$ 1,813,257
Receipts:		
From Customers	12,500,788	11,355,619
Interest Earned	187,633	82,055
Transfers from Other Accounts	3,022,746	3,041,309
Others	1,181,371	1,584,375
	16,892,538	16,063,358
Disbursements:		
Operating Expense	11,316,340	11,156,952
Transfers to Other Accounts	5,466,868	4,823,052
	16,783,208	15,980,004
Cash Balance, June 30	\$ 2,005,941	\$ 1,896,611
Maintenance and Operating Fund		
Cash Balance, July 1	\$ 8	\$ 6
Receipts:		
Ad Valorem Taxes (Net)	2,981,490	2,981,312
Revenue Sharing	52,348	52,070
	3,033,838	3,033,382
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	3,033,840	3,033,380
Cash Balance, June 30	\$ 6	\$ 8

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2019 and 2018

Renewal and Improvements Fund

	2019	2018
Cash Balance, July 1	\$12,833,778	\$11,283,503
Revenues:		
Interest Earned	35,417	16,715
Transfer from:		
Revenue Fund	5,446,874	4,848,960
Renewal & Improvements Investments	4,149,626	2,500,000
	9,631,917	7,365,675
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	8,637,506	5,815,400
Cash Balance, June 30	\$13,828,189	\$12,833,778

Summary of Cash and Investments - Current Assets

Revenue Fund	\$2,005,941	\$1,896,611
Maintenance and Operation Fund	6	8
Renewal and Improvements Fund	13,828,189	12,833,778
Payroll Clearing	100	100
Cash on Hand	800	700
Cash on Deposit - Collection Agent Accounts	200	200
Cash and Temporary Cash Investments - Current Assets	\$15,835,236	\$14,731,397
Unrestricted Cash and Cash Equivalents	\$ 3,771,283	\$ 4,178,017
Unrestricted Investments	12,063,953	10,553,380
	\$ 15,835,236	\$ 14,731,397

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements - Restricted Assets
For the years ended June 30, 2019 and 2018

	<u>Current Debt Service Accounts</u>	<u>Future Debt Service Accounts</u>	<u>Water Revenue Bond Contingency</u>	<u>Customer Meter Deposits</u>	<u>2019 Total</u>	<u>2018 Total</u>
	Bond Fund	Bond Reserve				
Cash and investments July 1	\$ 1,750,229	\$ 1,949,348	\$ 200,000	\$ 1,127,678	\$ 5,027,255	\$ 4,796,579
Receipts:						
Interest earned	7,561	17,652	-	1,999	27,212	14,282
Customer deposits	-	-	-	158,489	158,489	155,465
Transfers from:						
Bond Fund	313,503	-	-	-	313,503	5,748,515
Bond Reserve	-	-	-	-	-	153,296
Total receipts	<u>321,064</u>	<u>17,652</u>	<u>-</u>	<u>160,488</u>	<u>499,204</u>	<u>6,071,558</u>
Disbursements:						
Principal	565,623	-	-	-	565,623	1,505,000
Interest	134	-	-	1,955	2,089	328,401
Refund of customer deposits	-	-	-	7,734	7,734	10,280
Transfers to:						
Bond Fund	-	-	-	-	-	3,870,276
Water Revenue Fund	-	-	-	134,280	134,280	126,925
Total disbursements	<u>565,757</u>	<u>-</u>	<u>-</u>	<u>143,969</u>	<u>709,726</u>	<u>5,840,882</u>
Cash and investments June 30	<u>\$ 1,505,536</u>	<u>\$ 1,967,000</u>	<u>\$ 200,000</u>	<u>\$ 1,144,197</u>	<u>\$ 4,816,733</u>	<u>\$ 5,027,255</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities
\$6,450,000 Water Revenue Refunding Bonds, 2011 Series
Dated: November 22, 2011

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2013	\$550,000	01/01/2018	\$645,000
01/01/2014	570,000	01/01/2019	675,000
01/01/2015	580,000	01/01/2020	705,000
01/01/2016	605,000	01/01/2021	730,000
01/01/2017	625,000	01/01/2022	765,000
		TOTAL	\$6,450,000

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Maturities
\$3,660,000 Water Revenue Bonds, 2013 Series
Dated: March 19, 2013

Date of Maturity	Amount
01/01/2014	\$330,000
01/01/2015	325,000
01/01/2016	335,000
01/01/2017	345,000
01/01/2018	360,000
01/01/2019	365,000
01/01/2020	380,000
01/01/2021	390,000
01/01/2022	405,000
01/01/2023	425,000
TOTAL	\$3,660,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2014, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2013, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2013, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$5,975,000 Water Revenue Refunding Bonds, 2015 Series

Dated: May 26, 2015

Date of Maturity	Amount
01/01/2018	\$500,000
01/01/2019	520,000
01/01/2020	540,000
01/01/2021	555,000
01/01/2022	580,000
01/01/2023	600,000
01/01/2024	625,000
01/01/2025	655,000
01/01/2026	685,000
01/01/2027	715,000
TOTAL	\$5,975,000

Bonds are in denominations of \$5,000 each, or any integral multiple thereof within a single maturity

The Bonds maturing January 1, 2026, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2025, (but if less than a full maturity, then by lot within such maturity) at the principal amount thereof and accrued interest to the date fixed for redemption. Bonds are not required to be redeemed in inverse order of maturity.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2019

**Agency Head Name: Dirk
Barrios - General Manager
(retired March 2019)**

**Agency Head Name: Wayne
Gautreaux - General Manager
(appointed March 2019)**

Purpose	Amount	Amount
Salary	\$99,342	\$27,702
Benefits - insurance	\$9,788	\$4,268
Benefits - retirement	\$11,149	\$3,166
Benefits - life insurance, short-term and long-term disability	\$706	\$242
Benefits - Medicare tax	\$0	\$376
Car Allowance	\$0	\$0
Vehicle provided by government - reported on W-2	\$675	\$0
Per Diem	\$0	\$0
Reimbursements:	\$0	\$0
Conference Travel - mileage	\$102	\$0
Conference Travel - hotel	\$376	\$0
Conference Per Diem - meals	\$38	\$0
Travel	\$0	\$0
Registration fees	\$251	\$0
Conference travel	\$0	\$0
Continuing professional education fees	\$0	\$0
Housing	\$0	\$0
Unvouchered expenses	\$0	\$0
Special meals	\$0	\$0
Fuel	\$0	\$0
Dues	\$0	\$0
Cell Phone	\$462	\$195
	<u>\$122,889</u>	<u>\$35,949</u>

This form is used to satisfy the reporting requirement of R.S. 24:513(A)(3) on Supplemental Reporting

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2018 and 2019
(Unaudited)**

All sales of water are metered.

At June 30, 2018, there were 33,027 active metered customers.

At June 30, 2019, there were 33,299 active metered customers.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Insurance in Force-Unaudited
June 30, 2019

Description	Company	Coverage	Deductible
General Liability w/TRIA 03/01/19 to 03/01/20 Full failure to supply, not limited to tangible property	Tokio Marine Specialty Insurance Co.	\$1,000,000 per occurrence \$3,000,000 general aggregate Includes products/com ops aggr	None
Business Automobile w/TRIA 03/01/19 to 03/01/20	Employee benefits limit retroactive date 3-1-03 Tokio Marine Specialty Insurance Co.	\$300,000 Any one premises to property damages rented by client	
Umbrella/Excess Liability 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$1,000,000 per occurrence \$1,000,000 (UM)	None
Commerical Crime 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$10,000,000 per occ \$10,000,000 annual aggregate Excess of GL, Auto, Employer's Liab., Wrongful Acts, & EPLI	None
Wrongful Acts & Professional Liability 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$250,000 Employee Dishonesty Charge \$250,000 Forgery or Alternation Coverage \$25,000 Inside/Outside \$50,000 Computer Fraud Charge	500 500 \$500/\$500 500
Employment Practices Liability 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$1,000,000 per claim \$3,000,000 aggregate	None
Terrorism Inclusion Endorsement & Policy Fee 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$1,000,000 per person \$3,000,000 aggregate	None
Commerical Property w/TRIA 03/01/19 to 03/01/20	Tokio Marine Specialty Insurance Co.	\$1,000,000 aggregate Property & Gen Liab Package	None
Employee Dishonesty 03/01/19 to 03/01/20	ACE American Insurance Company	\$34,725,833 Per occurrence excess of various deductibles.	
Boiler & Machinery 03/01/19 to 03/01/20	CNA Surety Co.	50,000	None
Public Officials Oath Bond 03/01/19 to 03/01/20	Travelers Property Insurance Co.	\$50,000,000 Total Limit Breakdown \$10,000,000 Dependent Property Coverage Extension \$5,000,000 Electronic data or Media Coverage Extension \$100,000 Fungus, wet rot, dry rot, property damage \$10,000,000 Hazardous Substance Limitation \$10,000,000 Ordinance or Law	1000
Worker's Compensation 03/01/19 to 03/01/20	CNA Surety Co.	\$50,000	None
Pollution 5/17/17 to 5/17/20	LUBA	\$1,000,000 each accident \$1,000,000 policy limit/\$1,000,000 each employee	None
Cyber Liability 6/23/19-6/23/20	Steadfast Insurance Company	\$34,747.29 for 3 years Paid in the 1st year	
Flood Insurance 9/13/18-9/13/19	Travelers Bond & Financial	\$1,000,000 Security Limit of Liab \$1,000,000 Communications & Media Limit of Liability \$500,000 Regulatory Defense Expenses Limit of Liability \$15,000 Retention \$500,000 Crisis Management Event Expenses \$15,000 Retention \$500,000 E-Commerce Extortion \$250,000 Business Interruption and Additional Expenses	
	WRIGHT NATIONAL FLOOD INSURANCE	Various Buildings - Various Building and Contents Coverage	Various each property

***REPORTS REQUIRED BY
GOVERNMENT AUDITING
STANDARDS***



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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
Water District No. 1 of the Parish of Lafourche,
State of Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, (the District) a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated October 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting 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 internal control. Accordingly, we do not express an opinion on the effectiveness of internal controls.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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 weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

October 16, 2019
Thibodaux, Louisiana

Lafourche Parish Water District No. 1

**Statewide Agreed Upon Procedures Report
With Schedule of Findings and Management's Responses**

***As of and for the Year Ending
June 30, 2019***



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

AGREED-UPON PROCEDURES REPORT

Lafourche Parish Water District No. 1

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2018 – June 30, 2019

To the Board of Commissioners of the
Lafourche Parish Water District No. 1 and
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Lafourche Parish Water District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) ***Disbursements***, including processing, reviewing, and approving

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- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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.
- 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).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processed, and tools needed to recover operations after a critical event.

Results: *The policies of the District address all of the functions listed; no exceptions noted.*

Board or Finance Committee

- 2. Obtain and review the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

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

Results: *The Board meeting minutes were reviewed. No exceptions were noted.*

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - 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);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the main operating account. We selected five (5) bank accounts and obtained bank statements and reconciliations for the randomly selected month – June 2019. All criteria were met without exception.*

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.



- 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.
 - 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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.



- 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.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*



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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- 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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*



Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Five employees were randomly selected. All employees obtained the required ethics training during the fiscal period.



Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: *The District issued no new debt during the fiscal year. It did not have exceptions in this category in Year 2 (June 30, 2018), therefore was excluded from testing in Year 3 (June 30, 2019).*

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: *The District did not have exceptions in this category in Year 2 (June 30, 2019), therefore was excluded from testing in Year 3 (June 30, 2019).*

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

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

Stagni & Company

Thibodaux, LA
October 16, 2019

