

TANGIPAOA WATER DISTRICT
TANGIPAOA PARISH COUNCIL

ANNUAL FINANCIAL STATEMENTS

As of December 31, 2018 and for the Year Then Ended
With Supplemental Information Schedules
(with 2017 summarized comparative information)



PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

Tangipahoa Water District
Annual Financial Statements
As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules
(with 2017 summarized comparative information)

TABLE OF CONTENTS

| | Statement | Schedule | Page |
|--|------------------|-----------------|-------------|
| Independent Auditor’s Report | | | 3 |
| Required Supplemental Information (Part I): | | | |
| Management’s Discussion and Analysis: | | | |
| Financial Highlights | | | 7 |
| Overview of Annual Financial Report..... | | | 8 |
| Financial Analysis | | | 8 |
| Condensed Statements of Net Position | | | 9 |
| Condensed Statements of Revenues, Expenses, and Changes in Net Position..... | | | 10 |
| Budgetary Highlights | | | 12 |
| Other Significant Trends and Account Changes..... | | | 13 |
| Capital Assets..... | | | 14 |
| Long-Term Offerings..... | | | 15 |
| Future Economic Plans | | | 15 |
| Basic Financial Statements: | | | |
| Business-Type Financial Statements: | | | |
| Statement of Net Position | A | | 17 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | B | | 18 |
| Statement of Cash Flows | C | | 19 |
| Notes to the Financial Statements | | | 21 |
| Required Supplemental Information (Part II): | | | |
| Schedule of the District’s Proportionate Share of the Net Pension Liability | | 1 | 46 |
| Schedule of the Tangipahoa Water District’s Contributions..... | | 2 | 47 |
| Other Supplemental Information: | | | |
| Schedule of Revenues, Expenses, and Changes in Net Position- Budget (GAAP) Basis and Actual..... | | 3 | 49 |
| Schedule of Insurance | | 4 | 50 |
| Schedule of Compensation Paid to Board Members..... | | 5 | 51 |
| Schedule of Compensation, Benefits, and Other Payments to Agency Head ... | | 6 | 52 |
| Schedule of Water Rates | | 7 | 53 |
| Schedule of Water Customers..... | | 8 | 54 |
| 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 | | | 56 |
| Schedule of Current Year Audit Findings, Recommendations and Responses | | | 58 |

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTEPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tangipahoa Water District Natalbany, Louisiana, a component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tangipahoa Water District, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Tangipahoa Water District's December 31, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, as well as the information presented in the Schedule of the District's Proportionate Share of Net Pension Liability and the Schedule of the Tangipahoa Water District's Contributions on pages 46-47 presented to supplement the basis financial statements. Such information, although not a part of the basis 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 assistance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tangipahoa Water District's basic financial statements. The supplementary information contained in the Other Supplemental Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information contained in the Other Supplemental Information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana
June 27, 2019

Required Supplemental Information (Part I)
Management's Discussion and Analysis

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

Introduction

The Tangipahoa Water District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in the *Footnote 1 – Summary of Significant Accounting Policies*.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's basic financial statements and related notes, which follow management's discussion and analysis.

Financial Highlights

- At December 31, 2018, total assets and deferred outflows of resources were \$49,384,223, and exceeded liabilities and deferred inflows of resources in the amount of \$13,051,565 (i.e., net position). Of the total net position, \$2,625,793 was unrestricted and available to support short-term operations. The balance of \$10,425,772 was the net investment in capital assets.
- For the year ended December 31, 2018, user fee revenues (water sales) increased to \$6,568,387 as compared to \$6,246,232 for the fiscal year ending December 31, 2017. Residential and commercial customers increased by approximately 2.61 percent and 11.86 percent respectively.
- The District's operating expenses, other than depreciation and amortization expense, increased by \$98,191 or approximately three percent to \$3,281,954 as compared to \$3,183,763 for the prior fiscal year. The major components of the increase included increases of \$87,102 for salaries, \$35,837 for chlorination costs, \$21,555 for utilities, \$19,876 for vehicle expenses, \$13,319 for other expenses, and \$10,590 for computer expenses. Decreases included \$57,172 for professional fees and \$34,454 for retirement benefits.
- Property, plant, and equipment decreased by \$284,667 (net of accumulated depreciation) with the largest decrease due to completed construction in progress. Construction costs of \$297,385 were incurred during fiscal year 2018 for the Series 2014 project, with \$2,558,943 recorded at fiscal year-end for completion of the Series 2014 project. Construction costs of \$576,797 were incurred during the fiscal year for the Series 2016 project, with \$1,493,223 recorded at fiscal year-end for completion of Contract C – Water Lines for the Series 2016 project. Other additions included \$92,893 for the water meter changeouts, \$83,774 for four new trucks, \$79,595 for machinery and equipment, which included numerous communication and computer equipment, \$23,267 for Lewiston #1 building, \$3,820 for building improvements, and \$432,958 for other system improvements. Deletions included \$34,187 in machinery and equipment, which included two vehicles. Current year depreciation expense of \$1,871,867 reduced the overall net increase in property, plant, and equipment.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

- Total long-term debt decreased by \$930,000, before consideration of unamortized premium and discount, due to principal payments. Total long term bonded debt was \$33,905,000 at December 31, 2018 before unamortized discounts and premiums.

Overview of the Annual Financial Report

This discussion and analysis serves as an introduction to the District's basic financial statements and supplementary information. The District's basic financial statements include the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Basic Financial Statements. The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector.

The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how Net Position changed during the year. This statement measures the success of the District's operations over the past year and can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to a full understanding of the data provided in the District's basic financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Tangipahoa Water District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the Net Position, the difference between assets and liabilities, and the change in Net Position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Tangipahoa Water District

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)**

**Condensed Statements of Net Position
2018 and 2017**

| | 2018 | 2017 | Dollar Change | Percentage Change |
|--|----------------------|----------------------|--------------------------|------------------------------|
| Assets: | | (Restated) | | |
| Current and Other Assets | \$ 6,317,665 | \$ 6,088,791 | \$ 228,874 | 4% |
| Capital Assets | 42,496,451 | 42,781,118 | (284,667) | -1% |
| Total Assets | 48,814,116 | 48,869,909 | (55,793) | 0% |
| Deferred Outflows of Resources: | | | | |
| Refunding of Debt | 357,060 | 375,383 | (18,323) | -5% |
| Pension Related | 213,047 | 339,471 | (126,424) | -37% |
| Total Deferred Outflows of Resources | 570,107 | 714,854 | (144,747) | -20% |
| Liabilities: | | | | |
| Long-Term Debt Outstanding | 34,037,914 | 35,225,138 | (1,187,224) | -3% |
| Other Liabilities | 2,022,337 | 2,446,682 | (424,345) | -17% |
| Total Liabilities | 36,060,251 | 37,671,820 | (1,611,569) | -4% |
| Deferred Inflows of Resources: | | | | |
| Pension Related | 272,407 | 58,030 | 214,377 | 369.42% |
| Total Deferred Inflows of Resources | 272,407 | 58,030 | 214,377 | 369.42% |
| Net Position: | | | | |
| Net Investment in Capital Assets | 10,425,772 | 10,454,382 | (28,610) | 0% |
| Restricted for Capital Activity and Debt Service | - | - | - | |
| Unrestricted | 2,625,793 | 1,400,531 | 1,225,262 | 87% |
| Total Net Position | \$ 13,051,565 | \$ 11,854,913 | \$ 1,196,652 | 10% |

The major components of the change in "Current and Other Assets" are generated from increases in unrestricted cash combined with decreases in the system's restricted capital improvement account from unspent bond proceeds, designated and expended for the Series 2016 project. Restricted cash remaining for this project totaled \$1,662,189 for the Series 2016 project. There was also an approximate \$94,555 increase in accounts receivable and a net pension asset increase of \$91,951.

Total Deferred Outflows of Resources decreased by \$144,747 due to a decrease of \$126,424 related to pension and decreases of \$18,323 for items related to the refunding of debt.

Long Term Debt decreased by \$1,187,224. Principal payments of \$930,000 on water revenue bonds were also made. Other liabilities decreased from accounts retainage payable \$72,816, construction payable \$180,441, and net pension liability of \$250,153. There was an increase in customer deposits payable \$42,800. The District also obtained \$500,000 in a short-term Revenue Anticipation Note in 2017. During the fiscal year ended, the District paid \$168,038 in principal payments that paid off this short-term note.

Total Deferred Inflows of Resources increased by \$214,377 related to pension.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

“Total Net Position” (total assets less total liabilities) increased by \$1,196,652 for the fiscal year ending December 31, 2018. As components of this change, operating revenues increased seven percent and operating expenses increased three percent.

Condensed Statements of Revenues, Expenses and Changes in Net Position 2018 and 2017

| | Year ended December 31, 2018 | Year ended December 31, 2017 | Dollar Change | Percentage Change |
|--|------------------------------------|------------------------------------|---------------------|----------------------|
| Revenues: | | (Restated) | | |
| Operating Revenues | \$ 7,405,709 | \$ 6,890,380 | \$ 515,329 | 7% |
| Nonoperating Revenues | 162,866 | 248,576 | (85,710) | -34% |
| Total Revenues | <u>7,568,575</u> | <u>7,138,956</u> | <u>429,619</u> | 6% |
| Expenses: | | | | |
| Depreciation Expense and Amortization | 1,888,317 | 1,849,213 | 39,104 | 2% |
| Other Operating Expense | 3,281,954 | 3,183,763 | 98,191 | 3% |
| Nonoperating Expense | 1,227,478 | 1,407,442 | (179,964) | -13% |
| Total Expenses | <u>6,397,749</u> | <u>6,440,418</u> | <u>(42,669)</u> | -1% |
| Income (Loss) Before Contributions and Transfers | 1,170,826 | 698,538 | 472,288 | 68% |
| Transfers In | 25,826 | - | 25,826 | -100% |
| Changes in Net Position | <u>1,196,652</u> | <u>698,538</u> | <u>498,114</u> | 71% |
| Beginning Net Position | 11,898,425 | 11,199,887 | 698,538 | 6% |
| Prior Period Adjustments (Note 15) | (43,512) | (43,512) | - | - |
| Adjusted Beginning Net Position | <u>11,854,913</u> | <u>11,156,375</u> | <u>698,538</u> | 6% |
| Ending Net Position | <u>\$ 13,051,565</u> | <u>\$ 11,854,913</u> | <u>\$ 1,196,652</u> | 10% |

While the Statement of Net Position shows the change in financial position of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes.

- Total “Operating Revenues” (including water sales and revenues related to providing water and related services to customers) increased by seven percent as compared to an eighteen percent increase in the prior year. There was an increase of 595 customers (2.99 percent) for the fiscal year ended. There was an overall increase of 2.73 percent for total operating expenses which included an increase of \$87,102 for salaries, \$35,837 for chlorination costs, \$21,555 for utilities, \$19,876 for vehicle expenses, \$13,319 for other expenses, and \$10,590 for computer expenses. Decreases included \$57,172 for professional fees and \$34,454 for retirement benefits.
- Nonoperating revenues decreased by \$85,710 due to decrease of \$121,537 in FEMA reimbursements and increases of \$26,188 for interest income, \$25,826 for transfer of equipment purchased by grant from the Tangipahoa Parish Council, and \$11,052 in other income, which consisted of mostly credit card fees. The nonoperating expense decrease is related to decrease in bond issue costs of \$222,420 and interest expense increase of \$42,456.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

One of the methods for viewing changes from year-to-year is to compare revenue and expense data calculated per customer. For the data presented below, there were 20,524 and 19,929 customers at December 31, 2018 and 2017 respectively. This represents an increase in customers of approximately three percent from the prior fiscal year. This information below is also often used by lenders to calculate the water rates required to cover operating expenses and debt service requirements. The following table presents comparative data, computed as average monthly revenue and expenses, for the fiscal years ending December 31, 2018 and 2017:

Revenue and Expense Data Per Customer

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>Increase (Decrease)</u> |
|--------------------|------------------------------|------------------------------|--------------------------------|
| Water Sales | 26.67 | 26.12 | 0.55 |
| Operating Revenues | 30.07 | 28.81 | 1.26 |
| Total Revenues | 30.84 | 29.85 | 0.99 |
| Operating Expenses | 20.99 | 21.05 | (0.06) |
| Total Expenses | 25.98 | 26.93 | (0.95) |

The data provides information on trends in revenue and expenses per customer, but should be reviewed over an extended period. With the continued increase in the number of customers, the District has achieved consistency in revenue and expense trends. This data should be reviewed for long-term trends.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

Budgetary Highlights

Tangipahoa Water District adopts an annual operating budget to provide for effective management of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. Although presentation of budgetary highlights is not a required disclosure within *Management's Discussion & Analysis* for enterprise funds, this disclosure is permitted and is presented since budgetary review is essential to successful operation of a water district. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expense categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 3 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2018

| | Budget Year ended December 31, 2018 | Actual Year ended December 31, 2018 | Favorable (Unfavorable) Variance |
|---|--|--|---|
| Revenues: | | | |
| Operating Revenues | \$ 7,368,219 | \$ 7,405,709 | \$ 37,490 |
| Nonoperating Revenues | 166,628 | 162,866 | (3,762) |
| Total Revenues | 7,534,847 | 7,568,575 | 33,728 |
| Expenses: | | | |
| Depreciation Expense | 1,937,909 | 1,871,867 | 66,042 |
| Other Operating Expense | 3,309,381 | 3,298,404 | 10,977 |
| Nonoperating Expense | 1,233,388 | 1,227,478 | 5,910 |
| Total Expenses | 6,480,678 | 6,397,749 | 82,929 |
| Income (Loss) before Contributions or Transfers | 1,054,169 | 1,170,826 | 116,657 |
| Capital Contributions or Transfers | - | 25,826 | 25,826 |
| Change in Net Position | \$ 1,054,169 | \$ 1,196,652 | \$ 142,483 |

Total revenues exceeded budgeted by less than one percent. Total expenses were under budgeted by approximately one percent. Budgets for operating expense accounts were amended at fiscal year-end to reflect increased costs of operation as the system is expanded and new customers are added.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

One key measure of a water district's profitability is the ability to generate positive cash flows and to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2018 and 2017.

| | <u>Year Ended December 31, 2018</u> | <u>Year Ended December 31, 2017</u> | <u>Increase (Decrease)</u> |
|--------------------------------------|---|---|--------------------------------|
| Accounts Receivable | | | |
| Current | \$ 366,231 | \$ 349,211 | \$ 17,020 |
| 31-60 Days Past Due | 59,576 | 62,075 | (2,499) |
| 61-90 Days Past Due | 19,776 | 21,559 | (1,783) |
| Over 90 Days Past Due | <u>54,625</u> | <u>32,076</u> | <u>22,549</u> |
| Subtotal | 500,208 | 464,921 | 35,287 |
| Allowance for Uncollectible Accounts | (30,946) | (20,969) | (9,977) |
| Sewer and Garbage Receivables | <u>584,566</u> | <u>515,321</u> | <u>69,245</u> |
| Net Accounts Receivable | <u>\$ 1,053,828</u> | <u>\$ 959,273</u> | <u>\$ 94,555</u> |

The District continued efforts in collecting bills and in writing off accounts as they become past due. The increased number of customers for water billings is the primary driver of the increased water customer receivables at year end.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2018, Tangipahoa Water District had \$42,496,451 (net of accumulated depreciation) recorded in capital assets. This includes water utility systems and improvements, throughout the parish. Other significant capital assets include the District's improvements for water system equipment and supplies, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--------------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|
| Capital Assets | | | | |
| Land | \$ 309,800 | \$ 309,800 | \$ - | 0% |
| Water Distribution System | 60,603,293 | 56,025,277 | 4,578,016 | 8% |
| Buildings and Improvements | 774,696 | 747,609 | 27,087 | 4% |
| Equipment | 1,835,768 | 1,706,585 | 129,183 | 8% |
| Furniture and Fixtures | 18,402 | 18,402 | - | 0% |
| Construction in Progress | - | 3,177,984 | (3,177,984) | -100% |
| Subtotal | 63,541,959 | 61,985,657 | 1,556,302 | 3% |
| Less: Accumulated Depreciation | (21,045,508) | (19,204,539) | (1,840,969) | 10% |
| Net Capital Assets | <u>\$ 42,496,451</u> | <u>\$ 42,781,118</u> | <u>\$ (284,667)</u> | -1% |

The major increases during the fiscal year ending December 31, 2018, were for construction in progress additions on the Series 2014 Project of \$297,385 and the Series 2016 Project of \$576,797. Construction interest included in construction in progress additions totaled \$106,333. The Series 2014 project was completed at a total cost of \$2,558,943. The phase of the Series 2016 project relating to Contract C for water lines was completed at a total cost of \$1,493,223.

Other additions included \$92,893 for the water meter changeouts, \$83,774 for four new trucks, \$79,595 for machinery and equipment, which included numerous communication and computer equipment, \$23,267 for Lewiston #1 building, \$3,820 for building improvements, and \$432,958 for other system improvements. Deletions included \$34,187 for two trucks that were sold for a total of \$11,346. The total cost of the trucks was \$34,187 and had \$30,898 in accumulated depreciation.

Current year depreciation expense of \$1,871,867 reduced the overall net increase in property, plant, and equipment.

Tangipahoa Water District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with December 31, 2017 summarized comparative information)

Long-Term Offerings

The primary source of long-term financing for Tangipahoa Water District water system improvements was in the past revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). All RUS bond issues were refunded in year 2011. The footnote entitled "Long Term Obligations" to the financial statements provides more detail on debt financing, including bond issues financed in year 2014.

Bonds financed for Tangipahoa Water District, require a specific debt to net income ratio. Beginning with the issuance of the Water Revenue Refunding Bonds, Series 2006, and the Construction Revenue and Refunding Bonds, Series 2007, and continuing through the issuance of parity bonds in year 2017, Tangipahoa Water District covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year and as will provide Net Revenues at least equal to the 120 percent of the principal and interest falling due in such year on all bonds or other obligations payable from the System and as will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such fiscal year by this Resolution and all obligations or indebtedness payable out of the Revenues during such year, and that such rates, fees, rents or other charges shall not at any time be reduced as to be insufficient to provide adequate revenues for such purposes. For the fiscal year ended, the Tangipahoa Water District recorded "Net Revenues" exceeding the "120 percent" requirement per applicable bond covenants. "Net Revenues", per applicable bond provisions, means the revenues, after provision has been made for the payment for the reasonable and necessary expenses of maintaining and operating the system.

Future Economic Plans

In an effort to meet the needs of existing customers and to respond to the demands of a growing community, the Board of Commissioners of Tangipahoa Water District created a "Long-Range Committee" to identify and prioritize those areas for which construction projects would benefit residents of Tangipahoa Parish. The committee meets periodically with the system engineer to formalize these plans, and to review cost estimates.

Requests for Information

This financial report is designed to provide a general overview of Tangipahoa Water District's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 46463 North Morrison, Natalbany, LA 70451. The phone number for the District is (985) 345-6457.

Business-Type Financial Statements

Statement A

Tangipahoa Water District
Statement of Net Position
As of December 31, 2018
(With Comparative Totals as of December 31, 2017)

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Assets | | (Restated) |
| Current Assets: | | |
| Cash and Cash Equivalents - Operating | \$ 1,702,305 | \$ 1,058,805 |
| Receivables, Net : | | |
| Accounts | 1,053,828 | 959,273 |
| Accrued Billings | 252,383 | 268,605 |
| Other | 29,681 | 27,274 |
| Inventory | 100,341 | 86,214 |
| Prepaid and Other Assets | 36,236 | 38,219 |
| Total Current Assets | 3,174,774 | 2,438,390 |
| Restricted Assets: | | |
| Restricted Cash and Cash Equivalents | 2,881,896 | 3,465,107 |
| Total Restricted Assets | 2,881,896 | 3,465,107 |
| Property, Plant, and Equipment | | |
| Land | 309,800 | 309,800 |
| Construction in Progress | - | 3,177,984 |
| Property, Plant and Equipment, Net | 42,186,651 | 39,293,334 |
| Total Property, Plant, and Equipment | 42,496,451 | 42,781,118 |
| Other Assets | | |
| Bond Issue Insurance Costs and Other | 169,044 | 185,294 |
| Net Pension Asset | 91,951 | - |
| Total Other Assets | 260,995 | 185,294 |
| Total Assets | 48,814,116 | 48,869,909 |
| Deferred Outflows of Resources | | |
| Refunding of Debt | 357,060 | 375,383 |
| Pension Related | 213,047 | 339,471 |
| Total Deferred Outflows of Resources | 570,107 | 714,854 |
| Liabilities | | |
| Current Liabilities (Payable From Current Assets): | | |
| Accounts Payable | 117,881 | 79,650 |
| Compensated Absences Payable | 35,601 | 33,977 |
| Revenue Anticipation Note Payable | - | 168,038 |
| Other Accrued Payables | 323,922 | 406,607 |
| Total Current Liabilities (Payable From Current Assets) | 477,404 | 688,272 |
| Current Liabilities (Payable From Restricted Assets): | | |
| Customer Deposits | 1,294,739 | 1,251,939 |
| Bonds Payable | 965,000 | 930,000 |
| Retainage Payable | 51,593 | 124,409 |
| Construction Payable | 4,236 | 184,677 |
| Accrued Interest Payable | 194,365 | 197,385 |
| Total Current Liabilities (Payable From Restricted Assets) | 2,509,933 | 2,688,410 |
| Long Term Liabilities: | | |
| Bonds Payable | 33,072,914 | 34,044,985 |
| Net Pension Liability | - | 250,153 |
| Total Long Term Liabilities | 33,072,914 | 34,295,138 |
| Total Liabilities | 36,060,251 | 37,671,820 |
| Deferred Inflows of Resources | | |
| Pension Related | 272,407 | 58,030 |
| Total Deferred Inflows of Resources | 272,407 | 58,030 |
| Net Position | | |
| Net Investment in Capital Assets | 10,425,772 | 10,454,382 |
| Restricted for: | | |
| Capital Projects and Debt Service | - | - |
| Unrestricted | 2,625,793 | 1,400,531 |
| Total Net Position | \$ 13,051,565 | \$ 11,854,913 |

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

Tangipahoa Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | <u>2018</u> | <u>2017</u> (Restated) |
|---|----------------------|----------------------------------|
| Operating Revenues | | |
| Water Sales | \$ 6,568,387 | \$ 6,246,232 |
| Tap-In and Service Charges | 451,910 | 327,484 |
| Reconnect Charges | 87,025 | 85,680 |
| Penalty Charges | 204,581 | 147,401 |
| Billing Fees | 72,525 | 62,850 |
| Intergovernmental | 9,210 | 8,972 |
| Other | 12,071 | 11,761 |
| Total Operating Revenues | <u>7,405,709</u> | <u>6,890,380</u> |
| Operating Expenses | | |
| Amortization | 16,450 | 16,798 |
| Bad Debts | 9,977 | - |
| Billing Costs | 127,952 | 130,331 |
| Chlorination | 365,914 | 330,077 |
| Computer Expense | 30,517 | 19,927 |
| Depreciation | 1,871,867 | 1,832,415 |
| Director's Expense | 27,300 | 28,650 |
| Employee Expense | 5,401 | 8,589 |
| Insurance - Hospitalization | 339,809 | 334,101 |
| Insurance - Business | 139,515 | 139,416 |
| Office Expenses | 34,989 | 39,997 |
| Other | 102,498 | 89,179 |
| Payroll Taxes | 31,381 | 31,119 |
| Professional Fees | 68,334 | 125,506 |
| Repairs and Maintenance | 269,115 | 269,241 |
| Salaries and Wages | 1,100,340 | 1,013,238 |
| Retirement Benefits | 118,590 | 153,044 |
| Telephone | 69,124 | 62,259 |
| Utilities | 250,780 | 229,225 |
| Vehicle Expenses | 106,959 | 87,083 |
| Water Well Maintenance and Supplies | 83,459 | 92,781 |
| Total Operating Expenses | <u>5,170,271</u> | <u>5,032,976</u> |
| Operating Income (Loss) | <u>2,235,438</u> | <u>1,857,404</u> |
| Nonoperating Revenues (Expenses) | | |
| Federal Emergency Management Agency Reimbursement | - | 121,537 |
| Realized Gain (Loss) on Sale of Capital Assets | 8,057 | 2,070 |
| Bond Issuance Costs Incurred | - | (222,420) |
| Interest Income | 52,451 | 26,263 |
| Interest Expense | (1,227,478) | (1,185,022) |
| Insurance Reimbursements | 6,845 | 14,245 |
| Other Income | 95,513 | 84,461 |
| Total Nonoperating Revenues (Expenses) | <u>(1,064,612)</u> | <u>(1,158,866)</u> |
| Income (Loss) Before Contributions | <u>1,170,826</u> | <u>698,538</u> |
| Contributions and Transfers | | |
| Transfers in from Tangipahoa Parish Council | 25,826 | - |
| Change in Net Position | <u>1,196,652</u> | <u>698,538</u> |
| Total Net Position, Beginning | 11,898,425 | 11,199,887 |
| Prior Period Adjustments (Note 15) | (43,512) | (43,512) |
| Total Adjusted Net Position, Beginning | <u>11,854,913</u> | <u>11,156,375</u> |
| Total Net Position, Ending | <u>\$ 13,051,565</u> | <u>\$ 11,854,913</u> |

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

Tangipahoa Water District
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities | | (Restated) |
| Received From Customers | \$ 7,306,095 | \$ 6,637,474 |
| Received for Meter Deposit Fees | 42,600 | 24,868 |
| Other Receipts | (30,067) | (11,884) |
| Payments for Operations | (1,703,304) | (1,653,371) |
| Payments to Employees | (1,585,986) | (1,494,210) |
| Net Cash Provided by Operating Activities | <u>4,029,338</u> | <u>3,502,877</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Other Receipts | 102,358 | 98,706 |
| Proceeds from Notes Payable (Noncapital) | - | 500,000 |
| Principal (Repayments for) Notes Payable (Noncapital) | (168,038) | (331,962) |
| Transfers From (To) Other Funds | 25,826 | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(39,854)</u> | <u>266,744</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Proceeds from Sale of Capital Acquisitions | 11,346 | 2,070 |
| Federal Emergency Management Agency Reimbursements | - | 121,537 |
| (Payments for) Capital Acquisitions | (1,843,746) | (2,593,185) |
| (Payments for) Bond Issuance Costs | 18,323 | (265,680) |
| Principal Proceeds from Long Term Debt | - | 6,235,000 |
| Principal (Repayments) for Long Term Debt | (930,000) | (6,910,000) |
| Interest Payments for Long Term Debt | (1,237,569) | (1,097,624) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(3,981,646)</u> | <u>(4,507,882)</u> |
| Cash Flows From Investing Activities | | |
| Receipt of Interest | 52,451 | 26,263 |
| Net Cash Provided by Investing Activities | <u>52,451</u> | <u>26,263</u> |
| Net Cash Increase (Decrease) in Cash and Cash Equivalents | 60,289 | (711,998) |
| Cash and Cash Equivalents, Beginning of Year | 4,523,912 | 5,235,910 |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,584,201</u> | <u>\$ 4,523,912</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | |
| Cash and Cash Equivalents, Unrestricted | \$ 1,702,305 | \$ 1,058,805 |
| Cash and Cash Equivalents, Restricted | 2,881,896 | 3,465,107 |
| Total Cash and Cash Equivalents | <u>\$ 4,584,201</u> | <u>\$ 4,523,912</u> |

(Continued)

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

Tangipahoa Water District
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | 2018 | 2017 |
|--|--------------|-------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | (Restated) |
| Operating Income (Loss) | \$ 2,235,438 | \$ 1,857,404 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 1,888,317 | 1,849,213 |
| (Increase) decrease in Accounts Receivable | (94,555) | (176,757) |
| (Increase) decrease in Accrued Billings | 16,222 | (55,416) |
| (Increase) decrease in Due from Other Governments | (51,149) | (32,617) |
| (Increase) decrease in Other Receivables | (399) | - |
| (Increase) decrease in Inventory | (14,127) | (4,487) |
| (Increase) decrease in Prepaid Insurance | 1,983 | (929) |
| (Increase) decrease in Deferred Outflows of Resources-Pension | 126,424 | 92,411 |
| Increase (decrease) in Accounts Payable | 38,231 | (38,281) |
| Increase (decrease) in Compensated Absences | 1,624 | 1,829 |
| Increase (decrease) in Deferred Inflows of Resources-Pension | 214,377 | (16,367) |
| Increase (decrease) in Accrued Expenses | (375,848) | 2,006 |
| Increase (decrease) in Customer Deposits | 42,800 | 24,868 |
| Net Cash Provided by Operating Activities | \$ 4,029,338 | \$ 3,502,877 |

(Concluded)

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

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

Introduction

On August 5, 1992, the Tangipahoa Parish Council voted to create a parish wide water District effective November 16, 1992, in accordance with *Louisiana Revised Statute 33:3811*, thus creating the Tangipahoa Water District. The purpose for creating Tangipahoa Water District (hereinafter referred to as the District) was initially to consolidate the existing Water Works District Number 2 of Tangipahoa Parish, but Second Ward Water District and Fourth Ward Water District, two active water districts in the northern part of Tangipahoa Parish, were eventually consolidated into Tangipahoa Water District for continued operation. During the fiscal year ending December 31, 2010, Tangipahoa Water District formally took over operation of the Fluker Water System.

The Tangipahoa Water District is governed by a board of commissioners consisting of eight members. The board is appointed by the parish council and paid according to the number of meetings attended. Tangipahoa Water District encompasses the southern part of Tangipahoa Parish and parts of north Tangipahoa Parish with some exclusions for previously franchised areas of Tangipahoa Parish. At December 31, 2018, Tangipahoa Water District provided service to a total of 20,524 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Tangipahoa Water District is considered a component unit of the Tangipahoa Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote I – Net Position*. As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012. The District had \$357,060 of deferred outflows of resources due to debt refundings during the year ending December 31, 2018. The District also had deferred outflows and deferred inflows of resources related to pension of \$213,047 and \$272,407, respectively, at December 31, 2018.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote H – Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District’s operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The *activity statement includes all costs of providing goods and services during the period*.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations, primarily the provision of water to rural areas of Tangipahoa Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

B. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, interest-bearing demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the District may deposit funds in demand deposits,

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments for the District are reported at fair market 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. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

C. Inventories

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

D. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

E. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customers' meter deposits are also classified as restricted assets.

F. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Buildings & Improvements | 15 - 30 Years |
| Equipment and Furniture | 5 - 7 Years |
| Utility System | 20 - 50 Years |

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

G. Compensated Absences

The District has the following policy related to vacation and sick leave:

Employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment.

GASB-16, *Accounting for Compensated Absences* provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB-16 provides that a liability for sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Accordingly, the District has not accrued liability for sick leave.

H. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65. The District had no bond related costs in the year ending December 31, 2018.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

I. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

J. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

L. Estimates

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

2. Cash and Cash Equivalents

At December 31, 2018, the District has cash and cash equivalents (book balances) as follows:

| | |
|--|--------------|
| Interest-Bearing Demand Deposits | \$ 3,404,396 |
| Louisiana Asset Management Pool (LAMP) | 1,179,805 |
| | \$ 4,584,201 |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times 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.

At December 31, 2018, the District has \$1,789,388 in deposits (collected bank balances) other than LAMP. These deposits were in a single financial institution with cash deposits secured by \$250,000 of federal deposit insurance and an excess of pledged securities held by the custodial bank pledged to the District's account (GASB Category 2) to cover the remaining deposits of \$1,539,388. The \$1,539,388 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Sheriff does not have a formal policy for custodial risk. However, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

The District, at December 31, 2018, also recorded deposits related to the issuance and related construction costs of Tangipahoa Water District Revenue Bonds. These deposits totaled \$1,662,189 which were for the Series 2016 Revenue Bonds issued at \$3,180,000 on October 27, 2016. Under the terms of the agreement with Whitney Bank, the bank maintains control of the construction funds and disburses funds at the District's request. All funds are fully collateralized by the Trust Department of the respective bank.

At December 31, 2018, the District had \$1,179,805 in deposits in LAMP. In accordance with GASB Codification Section I50.165, the assets held in LAMP at December 31, 2018, are not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value, and has been categorized as cash equivalents. The District designated \$660,275 of LAMP deposits for future construction costs.

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

GASB 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

1. Credit risk: LAMP is rated AAAM by Standard and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 30 days as of December 31, 2018.

5. Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

Lamp, Inc. issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

3. Receivables

The following is a summary of receivables at December 31, 2018 and 2017:

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Increase (Decrease) |
|--------------------------------------|---|---|--------------------------------|
| Accounts Receivable | | | |
| Current | \$ 366,231 | \$ 349,211 | \$ 17,020 |
| 31-60 Days Past Due | 59,576 | 62,075 | (2,499) |
| 61-90 Days Past Due | 19,776 | 21,559 | (1,783) |
| Over 90 Days Past Due | 54,625 | 32,076 | 22,549 |
| Subtotal | 500,208 | 464,921 | 35,287 |
| Allowance for Uncollectible Accounts | (30,946) | (20,969) | (9,977) |
| Sewer and Garbage Receivables | 584,566 | 515,321 | 69,245 |
| Net Accounts Receivable | \$ 1,053,828 | \$ 959,273 | \$ 94,555 |

The preceding table includes the aging of all receivables billed by the District. Presented first are only those receivables for Tangipahoa Water District billings. Presented below the totals for Tangipahoa Water District are receivables for which the District provides a billing service. Totals for these entities are included in the District's receivables totals, but separately within the above table, since the authority to write off past due amounts must be authorized by the billing clients. Tangipahoa Water District, per ordinances enacted by the Tangipahoa Parish Council, is obligated to provide billing services for Sewerage District No. 1 of Tangipahoa Parish, and also provides billing services for the City of Hammond.

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahoa Water District established a monthly allowance for uncollectible accounts, and periodically the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

of uncollectibility. For the fiscal year ending December 31, 2018 the District had \$9,977 in bad debt expense.

Estimated unbilled receivables are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Accrued billings at fiscal year-end totaled \$252,383.

4. Restricted Assets

At December 31, 2018 and 2017, the District had restricted assets as follows:

| | December 31, 2018 | December 31, 2017 |
|-------------------------------------|------------------------------|------------------------------|
| Restricted Assets | | |
| Customer Deposits | \$ 464,641 | \$ 319,604 |
| Bond Sinking Account | 751,251 | 563,551 |
| Construction - Series 2016 Projects | 1,666,004 | 2,581,952 |
| Total Restricted Assets | \$ 2,881,896 | \$ 3,465,107 |

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2018 is as follows:

| | Beginning Balance 12/31/17 | Additions and Reclassifications | Deletions and Reclassifications | Ending Balance 12/31/18 |
|---------------------------------|---|--|--|--|
| Capital Assets | | | | |
| Land | \$ 309,800 | \$ - | \$ - | \$ 309,800 |
| Building | 747,609 | 27,087 | - | 774,696 |
| Equipment | 1,706,585 | 163,370 | (34,187) | 1,835,768 |
| Furniture and Fixtures | 18,402 | - | - | 18,402 |
| Water Distribution System | 56,025,277 | 4,578,016 | - | 60,603,293 |
| Total Capital Assets in Service | 58,807,673 | 4,768,473 | (34,187) | 63,541,959 |
| Construction in Progress | 3,177,984 | 874,182 | (4,052,166) | - |
| Total Capital Assets | 61,985,657 | 5,642,655 | (4,086,353) | 63,541,959 |
| Less Accumulated Depreciation | (19,204,539) | (1,871,867) | 30,898 | (21,045,508) |
| Total Capital Assets, Net | \$ 42,781,118 | \$ 3,770,788 | \$ (4,055,455) | \$ 42,496,451 |

The major increases during the fiscal year ending December 31, 2018, were for completed construction in progress projects. For the Series 2014 project, a total of \$297,385 was recorded in construction costs during the fiscal year ending December 31, 2018. The Series 2014 project was completed at a total cost of \$2,558,943. Funds for the Series 2014 project are provided by a total issue of \$5,000,000 dated December 16, 2014. The District also recorded \$3,180,000 in Series 2016 Water Revenue Bonds. A total of \$576,797 was recorded in construction costs during the fiscal year ending December 31, 2018. The phase of the Series 2016 project relating to Contract C for water lines was completed at a total cost of \$1,493,223. Total construction interest included in construction in progress totaled \$106,333 for the

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

fiscal year ending December 31, 2018 and totaled \$33,708 for the Series 2014 project and \$72,625 for the Series 2016 project.

Other additions included \$92,893 for the water meter changeouts, \$83,774 for four new trucks, \$79,595 for machinery and equipment, which included numerous communication and computer equipment, \$23,267 for Lewiston #1 building, \$3,820 in building improvements, and \$432,958 for other system improvements. Deletions included \$34,187 for two trucks that were sold for a total of \$11,346. The total cost of the trucks was \$34,187 and had \$30,898 in accumulated depreciation.

All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2018, totaled \$1,871,867.

6. Other Current Liabilities

At fiscal year-end, the District recorded the following short-term liabilities classified on the Statement of Net Position as “Other Accrued Payables”:

| | December 31, 2018 | December 31, 2017 |
|--|------------------------------|------------------------------|
| Other Accrued Payables: | | |
| Due to Other Districts - Billing Fees and Services | \$ 187,097 | \$ 236,038 |
| Accrued Wages | 42,854 | 39,041 |
| Accrued Audit Fees | 13,500 | 11,000 |
| Accrued Compilation Fees | 16,275 | 15,800 |
| Other Accrued Payables | 64,196 | 104,728 |
| Total Other Accrued Payables | \$ 323,922 | \$ 406,607 |

7. Compensated Absences

At December 31, 2018, employees of Tangipahoa Water District have accumulated and vested \$35,601 of employee leave benefits, consisting of accrued vacation leave computed in accordance with GASB Codification Section C60. This accrual represents the value of vacation leave benefits at fiscal year-end including the value of any leave accrual that must be taken by the employee within the employees’ annual anniversary hire date. In addition, the District recorded \$42,854 in accrued wages at fiscal year-end.

8. Short-Term Debt

In April 2017, the District obtained approval for interim financing of \$500,000 from a local financial institution, to provide sufficient funding, if required, for debt service and operations while funds accumulated from a rate increase that became effective February 1, 2017. This interim financing was paid in full during the fiscal year end.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

The following is a summary of short-term obligation transactions for the year ended December 31, 2018:

| <u>Description</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|---------------------|---------------------------|
| Revenue Anticipation Note, Series 2017 | \$ 168,038 | \$ - | \$ (168,038) | \$ - |
| Total Short Term Debt | <u>\$ 168,038</u> | <u>\$ -</u> | <u>\$ (168,038)</u> | <u>\$ -</u> |

9. Retirement Systems

On January 27, 1994, the Board of Commissioners of the Tangipahoa Water District adopted the *Louisiana Public Employees Deferred Compensation Plan* with the provision that Tangipahoa Water District, the employer, will match employee contributions, up to five percent of gross wages. The contribution by the employer will be re-established by the Board of Commissioners before the beginning of each fiscal year. Under the terms of the *Louisiana Public Employees Deferred Compensation Plan*, an employee may contribute up to a maximum of 25 percent of adjusted gross income, not to exceed \$8,000 per calendar year. A special “catch-up” provision may be used to save up to \$15,000 per year for the three years prior to retirement.

As reported by the State of Louisiana Deferred Compensation Program, for the fiscal year ending December 31, 2018, the aggregate account balance of employees of Tangipahoa Water District participating in the plan was \$1,049,082, as compared to \$1,069,498 for the fiscal year ending December 31, 2017. Employer contributions for the fiscal year ending December 31, 2018 totaled \$31,166, as compared to \$16,144 for the fiscal year ended December 31, 2017.

On April 12, 2014, the board of commissioners of the Tangipahoa Water District approved participation, effective July 1, 2014, in the Parochial Employee’s Retirement System (PERS) of Louisiana. All, but four, employees elected to participate in the PERS program. For the four employees that still participate solely in the Deferred Compensation Program, the employee will continue to contribute to the plan and the employer will match employee contributions, up to five percent of gross wages. Other employees may continue to contribute to the plan per plan provisions, but a match is not made by the employer.

The District implemented Governmental Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB 68. These standards require the District to record its proportional share of each of the pension plans’ net pension liability and report the following disclosures:

Plan Description: Parochial Employees' Retirement System of Louisiana is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S.I 1:1901 of the Louisiana Revised Statute (LRS), through 2025. The System provides retirement benefits to employees 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 which elect to become members of the System.

Substantially all full-time employees of Tangipahoa Water District, except the four described above in the Deferred Compensation Program, are members of the Parochial Employees’ Retirement System of Louisiana (System). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the District are members of Plan A.

Eligibility Requirements:

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) 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. As of January 1997, elected officials, except coroners, justices of the peace and parish presidents may no longer join the Retirement System.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. 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.

Survivor Benefits:

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

DROP Benefits:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for 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 the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date. For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

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

Disability Benefits:

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

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each 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 retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Contributions for all members are established by state statute. Under Plan A, members are required to contribute 9.50 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, according to state statute. The current rate is 11.50 percent of annual covered payroll. Contributions to the System include one-fourth (1/4) of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. These tax dollars and revenue sharing are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. These additional sources of income are used as additional employer contributions and are considered support from non-contributing entities. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended December 31, 2017. During the year ending December 31, 2018, the District recognized revenue as a result of support received from non-employer contributing entities of \$9,210 for its participation in Parochial Employees' Retirement System of Louisiana-Plan A.

The Tangipahoa Water District contributions to the System under Plan A for the years ending December 31, 2018 and 2017 were \$95,876, and \$95,314, respectively, equal to the required contributions for each year.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the District reported an asset of \$91,951 for its proportionate share of the net pension asset of the System. The net pension asset was measured as of December 31, 2017 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At December 31, 2017, the District's proportion was 0.123882%, which was an increase of 0.00242% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense for the Parochial Employees' Retirement System of \$103,783 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Parochial Employees' Retirement System from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ (59,522) |
| Changes of Assumptions | 116,056 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (212,433) |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,115 | (452) |
| Employer contributions subsequent to the measurement date | 95,876 | |
| Total | <u>\$ 213,047</u> | <u>\$ (272,407)</u> |

The District reported a total of \$95,876 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

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

| <u>Year</u> | |
|-------------|---------------------|
| 2018 | \$ 384 |
| 2019 | \$ (13,927) |
| 2020 | \$ (71,384) |
| 2021 | \$ (84,225) |
| | <u>\$ (169,152)</u> |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

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

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

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset 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.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

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

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

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension asset would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of December 31, 2017:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| Rates | 5.75% | 6.75% | 7.75% |
| Tangipahoa Water District Share of NPL | \$ 453,352 | \$ 91,951 | \$ (577,507) |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

10. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

| <u>Description</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Long-Term Debt | | | | | |
| 2006 Water Revenue Refunding, Series 2006 | \$ 360,000 | \$ - | \$ (175,000) | \$ 185,000 | \$ 185,000 |
| Water Revenue Refund Bonds, Series 2011 A | 3,430,000 | - | (195,000) | 3,235,000 | 200,000 |
| Water Revenue Refund Bonds, Series 2011 B | 2,070,000 | - | (90,000) | 1,980,000 | 95,000 |
| Water Revenue Refund Bonds, Series 2011 C | 5,365,000 | - | - | 5,365,000 | - |
| Water Revenue Bonds, Series 2013 | 5,660,000 | - | (130,000) | 5,530,000 | 135,000 |
| Water Revenue Bonds, Series 2014 A | 3,940,000 | - | (30,000) | 3,910,000 | 35,000 |
| Water Revenue Bonds, Series 2014 B | 4,665,000 | - | (115,000) | 4,550,000 | 115,000 |
| Water Revenue Bonds, Series 2016 | 3,120,000 | - | (75,000) | 3,045,000 | 75,000 |
| Water Revenue Bonds, Series 2017 | 6,225,000 | - | (120,000) | 6,105,000 | 125,000 |
| Total Bonds | <u>34,835,000</u> | <u>-</u> | <u>(930,000)</u> | <u>33,905,000</u> | <u>965,000</u> |
| Less: Unamortized Discount (Premium) | 139,985 | - | (7,071) | 132,914 | (7,072) |
| Total Long Term Debt | <u>\$ 34,974,985</u> | <u>\$ -</u> | <u>\$ (937,071)</u> | <u>\$ 34,037,914</u> | <u>\$ 957,928</u> |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

Bonds Payable as of December 31, 2018 is as follows:

| | Bonds Payable End of Year | Due Within One Year |
|--|--------------------------------------|--------------------------------|
| Water System Revenue Refund Bonds \$ 5,630,000 | | |
| Series 2006 Refunding bonds sold to private lender, Dated 8/16/2006 | | |
| due in semi-annual installments of principal and interest averaging \$ 176,500 | | |
| through 12/15/2035 interest at ranges from 3.65% to 4.50% | \$ 185,000 | \$ 185,000 |
| Water System Revenue Refund Bonds \$ 4,515,000 | | |
| Series 2011A Refunding bonds sold to private lender, Dated 11/10/2011 | | |
| due in semi-annual installments of principal and interest averaging \$ 322,990 | | |
| through 11/1/2031 interest at ranges from 2.00% to 4.00% | 3,235,000 | 200,000 |
| Water System Revenue Refund Bonds \$ 2,595,000 | | |
| Series 2011B Refunding bonds sold to private lender, Dated 11/10/2011 | | |
| due in semi-annual installments of principal and interest averaging \$ 178,408 | | |
| through 11/1/2034 interest at ranges from 2.00% to 4.125% | 1,980,000 | 95,000 |
| Water System Revenue Refund Bonds \$ 5,365,000 | | |
| Series 2011C Refunding bonds sold to private lender, Dated 11/10/2011 | | |
| due in semi-annual installments of interest averaging \$238,731 | | |
| through 5/1/2032 interest at ranges from 4.125% to 4.625%, then | | |
| due in semi-annual installments of interest and principal averaging \$ 1,349,448 | | |
| through 11/1/2041 | 5,365,000 | - |
| Water System Revenue Bonds \$ 6,145,000 | | |
| Series 2013 Revenue bonds sold to private lender, Dated 11/6/2013 | | |
| due in semi-annual installments of principal and interest averaging \$ 379,604 | | |
| through 12/31/2043 interest at ranges from 2.00% to 4.75% | 5,530,000 | 135,000 |
| Water System Revenue Bonds \$ 4,030,000 | | |
| Series 2014A Revenue bonds sold to private lender, Dated 12/16/2014 | | |
| due in semi-annual installments of principal and interest averaging \$ 143,282 | | |
| through 12/31/2035 interest at ranges from 1.75% to 4.00% | 3,910,000 | 35,000 |
| Water System Revenue Bonds \$ 5,000,000 | | |
| Series 2014B Revenue bonds sold to private lender, Dated 12/16/2014 | | |
| due in semi-annual installments of principal and interest averaging \$ 138,064 | | |
| through 12/1/2043 interest at ranges from 2.00% to 4.00% | 4,550,000 | 115,000 |
| Water System Revenue Bonds \$ 3,180,000 | | |
| Series 2016 Revenue bonds sold to private lender, Dated 10/26/2016 | | |
| due in semi-annual installments of principal and interest averaging \$ 169,442 | | |
| through 12/15/2046 interest at ranges from 1.50% to 3.625% | 3,045,000 | 75,000 |
| Water Revenue Refunding Bonds \$ 6,235,000 | | |
| Series 2017 Revenue bonds sold to private lender, Dated 2/22/2017 | | |
| due in semi-annual installments of principal and interest averaging \$ 177,226 | | |
| through 4/1/2047 interest at ranges from 1.00% to 4.00% | 6,105,000 | 125,000 |
| | <u>\$ 33,905,000</u> | <u>\$ 965,000</u> |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

On November 10, 2011, Tangipahoa Parish Water District issued Water Revenue & Revenue Refunding Bonds, Series 2011, in the amount of \$12,475,000. The Series 2011 bonds consisted of three individual issues – Series 2011A in the amount of \$4,515,000, Series 2011B in the amount of \$2,595,000, and Series 2011C in the amount of \$5,365,000. Series 2011A and Series 2011B were issued to refund existing bond issues. The Series 2011A & Series 2011B bonds are accounted for as “current refundings” since the refunding issues immediately resulted in defeasance of water revenue bonds. Series 2011C was issued to fund construction improvements. The District also provided additional funds to refund prior debt issues.

The Series 2011A Bonds provided funds for the purpose of...“providing sufficient funds to current refund the outstanding principal amounts of the a) Water Revenue Bond Series 2001, dated November 8, 2001, issued in the original principal amount of \$1,490,000 (the “Series 2001 Bond”), and b) Water Revenue Bonds, Series 2002, dated November 8, 2001, issued in the original principal amount of \$3,820,000 (the “Series 2002 Bond”)”. Proceeds of the bond issue, in combination with funds provided by the District and the Series 2011B and Series 2011C issues, were also used for purchasing a portion of a reserve fund surety policy, and for paying the costs of issuance of the Series 2011A Bonds.

The Series 2011B Bonds were delivered for the purpose of...“providing sufficient funds to current refund the outstanding principal amounts of the a) Water Revenue Bond, Series 1999, dated June 10, 1999, issued in the original principal amount of \$2,900,000 (the “Series 1999 Bond”), and Water Revenue Bond, Series 1999A, dated June 10, 1999, issued in the original principal amount of \$300,000 (the “Series 1999A Bond”)”.

The Series 2011 C Bonds were issued in the amount of \$5,365,000 to fund construction projects, bond issuance costs, and a portion of the reserve fund surety policy.

The 2011 Reserve Fund, established for the benefit of holders of the Series 2011 bonds, is funded with the purchase of the Surety Bond, and is to be held and maintained by the Paying Agent. The 2011 Reserve Fund shall be retained solely for the purpose of paying the principal and interest on the Series 2011 Bonds payable from the Sinking Fund to which there would be default. If a disbursement is made under a surety bond deposited in the 2011 Reserve Fund, the Issuer shall be obligated to reinstate the maximum limits of such surety bond immediately following such disbursement as required by the terms of the surety bond.

On November 6, 2013 the District issued \$6,145,000 of Water Revenue Bonds, Series 2013. These bonds provide funding for water system improvements beginning in fiscal year 2014, and provide funding to finalize current construction projects of the District. The bonds are due in semi-annual installments of interest and annual installments of principal with interest rates ranging from 2.0% (with the first installment of interest due on May 1, 2014) to an interest rate of 4.75%, with the final installment of interest and principal due on November 1, 2042. These bonds are secured by the Net Revenues of the District and are issued in parity with existing bonds.

On December 16, 2014, the District issued Water Revenue Refunding Bonds, Series 2014A, in the amount of \$4,030,000. This refunding issue provided for partial refunding of the Series 2006 Water Revenue Refunding Bonds, originally issued August 16, 2006, in the amount of \$5,630,000. At the time of closing, the Series 2014A refunded \$3,670,000 of the Series 2006 Refunding Issue, leaving a principal balance of \$855,000. The remaining principal and interest payments of the Series 2014A bonds are due in semi-annual principal and interest installments ranging from 1.75% to 4.0% beginning December 16,

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

2014 through December 31, 2035. The remaining \$855,000 Series 2006 Bonds are due in semi-annual principal and interest installments from June 15, 2015, through December 15, 2019.

On December 16, 2014, the District also issued Water Revenue Bonds, Series 2014B, in the amount of \$5,000,000. This issue provided funds for water system improvements. The remaining principal and interest payments of the Series 2014A bonds are due in semi-annual principal and interest installments ranging from 1.75% to 4.0% beginning June 1, 2015 through December 1, 2044.

On October 26, 2016 the District issued Water Revenue Bonds, Series 2016 Bonds in the amount of \$3,180,000, providing funding for water system improvements. The Series are due in semi-annual principal and interest installments ranging from 1.5% to 3.625% from June 15, 2017 through December 15, 2046. As part of the 2016 bond issuance, the District recorded a total of \$123,697 in bond issuance costs, plus a total of \$16,243 in bond insurance costs and bond discount of \$40,061 to be amortized over the remaining term on the Series 2016 bond issue.

On February 22, 2017, the District issued Water Revenue Refunding Bonds, Series 2017 in the amount of \$6,235,000. This refunding issue provided for refunding of the Series 2007 Water Revenue Refunding Bonds, originally issued September 18, 2006, in the amount of \$6,880,000. The Series are due in semi-annual principal and interest installments ranging from 1.00% to 4.00% from April 1, 2017 through April 1, 2047. The bond proceeds plus \$85,081 of 2007 Debt Service Funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the April 1, 2017 debt service payment on the Series 2007 Water Revenue Bond. This bond will be called on April 1, 2017 at a price equal to the principal amount thereof plus accrued interest to the call date. As a result, the Series 2007 Water Revenue Bonds were considered in-substance defeased and the liability for the bond was removed from the District's books at December 31, 2017. As part of the 2017 bond issuance, the District recorded a total of \$222,420 in bond issuance costs, plus a bond premium of \$56,463 to be amortized over the remaining term on the Series 2017 bond issue. The District reported \$123,592 in deferred outflows of resources at December 31, 2017 related to the difference between the reacquisition price and the net carrying amount of the old debt for advance refunding resulting in defeasance of debt during the current year.

A recap of the net present value benefits and cash savings for the Water Revenue Refunding Bonds, Series 2017 is presented below:

PV Analysis Summary (Gross to Gross) for Water Revenue Refunding Bonds, Series 2017

| | |
|---|-------------------|
| Gross PV Debt Service Savings | \$ 225,629 |
| Transfers from Prior Issue Debt Service Fund | <u>(85,081)</u> |
| Net Present Value Benefit | <u>\$ 140,548</u> |
| | |
| Net PV Benefit/\$6,020,000 Refunded Principal | 2.335% |
| Net PV Benefit/\$6,235,000 Refunded Principal | 2.254% |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments of \$19,844,746 are as follows:

| Year Ending December 31 | 2006 Water Revenue Refunding Bonds | | | Series 2011 A Water Revenue Refunding Bonds | | | Series 2011 B Water Revenue Refunding Bonds | | | Series 2011 C Water Revenue Refunding Bonds | | |
|----------------------------|------------------------------------|-----------------|-------------------|---|-------------------|---------------------|---|-------------------|---------------------|---|---------------------|---------------------|
| | \$ 5,630,000 | | | \$ 4,515,000 | | | \$ 2,595,000 | | | \$ 5,365,000 | | |
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 185,000 | \$ 7,631 | \$ 192,631 | \$ 200,000 | \$ 123,250 | \$ 323,250 | \$ 95,000 | \$ 76,988 | \$ 171,988 | \$ - | \$ 238,731 | \$ 238,731 |
| 2020 | - | - | - | 205,000 | 117,250 | 322,250 | 100,000 | 74,138 | 174,138 | - | 238,731 | 238,731 |
| 2021 | - | - | - | 210,000 | 111,100 | 321,100 | 100,000 | 71,138 | 171,138 | - | 238,731 | 238,731 |
| 2022 | - | - | - | 220,000 | 104,800 | 324,800 | 105,000 | 68,138 | 173,138 | - | 238,731 | 238,731 |
| 2023 | - | - | - | 225,000 | 96,000 | 321,000 | 110,000 | 63,938 | 173,938 | - | 238,731 | 238,731 |
| 2024 to 2028 | - | - | - | 1,275,000 | 337,000 | 1,612,000 | 605,000 | 250,888 | 855,888 | - | 1,193,656 | 1,193,656 |
| 2029 to 2033 | - | - | - | 900,000 | 72,800 | 972,800 | 740,000 | 119,519 | 859,519 | 660,000 | 1,180,250 | 1,840,250 |
| 2034 to 2038 | - | - | - | - | - | - | 125,000 | 5,156 | 130,156 | 2,695,000 | 848,850 | 3,543,850 |
| 2039 to 2043 | - | - | - | - | - | - | - | - | - | 2,010,000 | 188,700 | 2,198,700 |
| 2044 to 2048 | - | - | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 185,000</u> | <u>\$ 7,631</u> | <u>\$ 192,631</u> | <u>\$ 3,235,000</u> | <u>\$ 962,200</u> | <u>\$ 4,197,200</u> | <u>\$ 1,980,000</u> | <u>\$ 729,903</u> | <u>\$ 2,709,903</u> | <u>\$ 5,365,000</u> | <u>\$ 4,605,111</u> | <u>\$ 9,970,111</u> |

| Year Ending December 31 | Series 2013 Water Revenue Bonds | | | Series 2014 A Water Revenue Bonds | | | Series 2014 B Water Revenue Bonds | | | Series 2016 Water Revenue Bonds | | |
|----------------------------|---------------------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | \$ 6,145,000 | | | \$ 4,030,000 | | | \$ 5,000,000 | | | \$ 3,180,000 | | |
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 135,000 | \$ 246,731 | \$ 381,731 | \$ 35,000 | \$ 123,480 | \$ 158,480 | \$ 115,000 | \$ 160,388 | \$ 275,388 | \$ 75,000 | \$ 95,225 | \$ 170,225 |
| 2020 | 140,000 | 242,681 | 382,681 | 225,000 | 122,878 | 347,878 | 120,000 | 158,088 | 278,088 | 75,000 | 94,100 | 169,100 |
| 2021 | 145,000 | 238,481 | 383,481 | 230,000 | 118,368 | 348,368 | 120,000 | 155,688 | 275,688 | 75,000 | 92,975 | 167,975 |
| 2022 | 145,000 | 234,131 | 379,131 | 240,000 | 111,468 | 351,468 | 125,000 | 152,088 | 277,088 | 80,000 | 91,850 | 171,850 |
| 2023 | 150,000 | 229,781 | 379,781 | 240,000 | 104,268 | 344,268 | 130,000 | 148,338 | 278,338 | 80,000 | 89,850 | 169,850 |
| 2024 to 2028 | 825,000 | 1,075,719 | 1,900,719 | 1,320,000 | 415,118 | 1,735,118 | 700,000 | 681,688 | 1,381,688 | 430,000 | 417,925 | 847,925 |
| 2029 to 2033 | 1,025,000 | 879,313 | 1,904,313 | 1,355,000 | 190,863 | 1,545,863 | 815,000 | 563,000 | 1,378,000 | 495,000 | 351,800 | 846,800 |
| 2034 to 2038 | 1,310,000 | 596,313 | 1,906,313 | 265,000 | 16,000 | 281,000 | 980,000 | 399,313 | 1,379,313 | 580,000 | 267,488 | 847,488 |
| 2039 to 2043 | 1,655,000 | 243,438 | 1,898,438 | - | - | - | 1,180,000 | 197,650 | 1,377,650 | 680,000 | 160,500 | 840,500 |
| 2044 to 2048 | - | - | - | - | - | - | 265,000 | 10,600 | 275,600 | 475,000 | 34,981 | 509,981 |
| | <u>\$ 5,530,000</u> | <u>\$ 3,986,588</u> | <u>\$ 9,516,588</u> | <u>\$ 3,910,000</u> | <u>\$ 1,202,443</u> | <u>\$ 5,112,443</u> | <u>\$ 4,550,000</u> | <u>\$ 2,626,841</u> | <u>\$ 7,176,841</u> | <u>\$ 3,045,000</u> | <u>\$ 1,696,694</u> | <u>\$ 4,741,694</u> |

| Year Ending December 31 | Series 2017 Water Revenue Bonds | | | Total | | |
|----------------------------|---------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | \$ 6,235,000 | | | | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 125,000 | \$ 227,888 | \$ 352,888 | \$ 965,000 | \$ 1,300,312 | \$ 2,265,312 |
| 2020 | 125,000 | 224,763 | 349,763 | 990,000 | 1,272,629 | 2,262,629 |
| 2021 | 130,000 | 220,938 | 350,938 | 1,010,000 | 1,247,419 | 2,257,419 |
| 2022 | 130,000 | 217,038 | 347,038 | 1,045,000 | 1,218,244 | 2,263,244 |
| 2023 | 135,000 | 213,063 | 348,063 | 1,070,000 | 1,183,969 | 2,253,969 |
| 2024 to 2028 | 765,000 | 987,588 | 1,752,588 | 5,920,000 | 5,359,582 | 11,279,582 |
| 2029 to 2033 | 935,000 | 818,538 | 1,753,538 | 6,925,000 | 4,176,083 | 11,101,083 |
| 2034 to 2038 | 1,125,000 | 621,844 | 1,746,844 | 7,080,000 | 2,754,964 | 9,834,964 |
| 2039 to 2043 | 1,350,000 | 390,575 | 1,740,575 | 6,875,000 | 1,180,863 | 8,055,863 |
| 2044 to 2048 | 1,285,000 | 105,100 | 1,390,100 | 2,025,000 | 150,681 | 2,175,681 |
| | <u>\$ 6,105,000</u> | <u>\$ 4,027,335</u> | <u>\$ 10,132,335</u> | <u>\$ 33,905,000</u> | <u>\$ 19,844,746</u> | <u>\$ 53,749,746</u> |

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

11. Flow of Funds, Restrictions on Use

With the issuance of the Series 2011 bonds on November 10, 2011, all *Rural Utilities Service (RUS)* bonds were refunded. The Series 2011 bond issue (Series 2011A, Series 2011B, and Series 2011C) were issued in parity with the Water Revenue and Refunding Bonds, Series 2006, and the Construction Revenue and Refunding Bonds, Series 2007, and rank equally with and shall enjoy complete parity of lien with the outstanding parity bonds on the Net Revenues and the other funds established and maintained in connection with the outstanding parity bonds, other than the Reserve Fund created by the parity bond resolutions.

The Series 2013 Water Revenue Bonds, issued November 6, 2013, were issued in parity with the existing bonds of the District. With the issuance of the 2013 Water Revenue Bonds, bank accounts were created to record the bond proceeds, issuance costs, and to record funds for construction. During 2014, there were two new bond issuances in parity with existing bonds of the District, the Series 2014A Water Revenue Refunding Bonds dated December 16, 2014, and the Series 2014B Water Revenue Bonds dated December 16, 2014. During 2016, the Series 2016 Water Revenue Bonds were also issued in parity with existing bond issuances of the District. Provisions of bond covenants relating to establishment of Reserve Fund, Debt Service Sinking Fund, and relating to pledge of Net Revenues are continued, with any variations noted in the following paragraphs.

The Reserve Funds, established for the benefit of holders of the outstanding parity bonds, are funded with the purchase of Surety Bonds, which are to be held and maintained by the Paying Agent. The Reserve Funds shall be retained solely for the purpose of paying the principal and interest on the outstanding bonds payable from the Sinking Funds to which there would be default. If a disbursement is made under a surety bond deposited in the Reserve Funds, the Issuer shall be obligated to reinstate the maximum limits of such surety bond immediately following such disbursement as required by the terms of the surety bond. At fiscal year-end, disbursements were not required from the Reserve Funds. Total interest expense from all water revenue bonds equaled \$1,227,478 for the year ending December 31, 2018. The gross water revenue recognized during the current period was \$7,384,428.

Each of the parity bonds require creation of a Waterworks Bond Debt Service Account (the “Sinking Fund”) sufficient in amount to pay promptly and fully the principal of and the interest on the bonds by transferring from the Revenue Fund to the fiscal agent of the Issuer, monthly in advance, sums as may be required for monthly installments to service and pay future debt installments. The Series 2006 Bonds and the Series 2007 bonds require deposit by the 20th day of each month a sum equal to 1/6 of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as they become due. The Series 2011 Bonds, the Series 2014A and Series 2014B bonds, and the Series 2016 bonds require the same proportionate deposit of interest and principal payments, but require deposit by the 5th of each month. The Series 2013 and Series 2017 bonds also require the same proportionate deposit of interest and principal payments, but require deposit by the 25th of each month. At December 31, 2018, the Sinking Funds of the District totaled \$751,251, and exceeded the required deposits at fiscal year-end.

The Issuer also covenants to fix, establish, maintain, and collect such rates, fees, rents, or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the system in each fiscal year, and as will provide

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

“Net Revenues” at least equal to 120% of the principal and interest falling due in such year on all bonds or other obligations payable from the system and as will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such fiscal year. “Net Revenue”, per the applicable bond provisions, means the revenues, after provision has been made for the payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2018, the District maintained a ratio of “Net Revenues” to debt principal and interest obligations that exceeded the required ratio of 120%.

12. Restricted and Designated Net Position

At December 31, 2018, Tangipahoa Water District recorded a zero balance in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District’s funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets. For the District, the liabilities for meter deposits exceeded the cash held as restricted by \$78,847, because the district utilized a portion of the assets to upgrade a portion of existing meters to digital water meters, which is a permissible use of the resources under law. In accordance with provisions of GASB Statement No. 34, as amended, a category of restricted net position cannot be negative. If the liabilities relating to the restricted assets are greater than those assets, then no balance should be reported as restricted net position. The negative amount is reported as a reduction of unrestricted net position.

13. Litigation and Claims

There is no outstanding litigation at December 31, 2018.

14. Transfers from Tangipahoa Parish Council

During December 31, 2018, the Tangipahoa Parish Council purchased three potable water units with a 2015-2016 Community Water Enrichment Fund Grant. The total grant was awarded for \$25,826. The total cost of the potable water units was \$29,925. The District paid the difference of \$4,099. These units were included in asset additions in Footnote 5.

Tangipahoa Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with December 31, 2017 summarized comparative information)

15. Prior Period Adjustments

At December 31, 2018, the District had prior period adjustments related to corrections of errors. Accounts payable was overstated due to an omission of a reversal of a prior year payable. During the fiscal year, the District also discovered an error in software programming related to the allocation of credit balances between water and sewer fees. Overtime, this resulted in credit balances being allocated incorrectly to water. The District made program changes and reviewed the incorrect allocation. The District calculated \$59,725 to be paid to the sewer district. The District made this payment during the fiscal year ending December 31, 2018.

| | 2018 | 2017 |
|--|---------------|-------------|
| Beginning Net Position Before Prior Period Adjustments | \$ 11,898,425 | 11,199,887 |
| Accounts Payable Error | 16,213 | 16,213 |
| Amount Due to Sewer District for Programming Errors | (59,725) | (59,725) |
| Beginning Net Position After Prior Period Adjustments | \$ 11,854,913 | 11,156,375 |

16. Subsequent Events

Subsequent events have been evaluated by management through June 27, 2019, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

Required Supplemental Information (Part II)

Tangipahoa Water District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
For the Year Ended December 31, 2018

Parochial Employees' Retirement System of Louisiana:

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|
| Employer's Proportion of the Net Pension Liability (Assets) | 0.1129% | 0.111531% | 0.121462% | 0.123882% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 30,868 | \$ 293,582 | \$ 250,153 | \$ (91,951) |
| Employer's Covered-Employee Payroll | \$ 294,811 | \$ 639,473 | \$ 720,339 | \$ 762,505 |
| Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll | 10.4704% | 45.9100% | 34.7271% | -12.0591% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 99.1464% | 92.2301% | 94.1489% | 1.0198% |

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

See auditor's report.

**Tangipahoa Water District
Schedule of the District's Contributions
For the Year Ended December 31, 2018**

Parochial Employees' Retirement System of Louisiana:

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 92,724 | \$ 93,644 | \$ 95,314 | \$ 95,876 |
| Contributions in relation to contractually required contributions | <u>92,724</u> | <u>93,644</u> | <u>95,314</u> | <u>95,876</u> |
| Contribution deficiency (excess) | - | - | - | - |
| | | | | |
| Employer's Covered Employee Payroll | \$ 639,473 | \$ 720,339 | \$ 762,505 | \$ 833,700 |
| Contributions as a % of Covered Employee Payroll | 14.5001% | 13.0000% | 12.5001% | 11.5001% |

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

See auditor's report.

Other Supplemental Information

Tangipahoa Water District
Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual
For the year ended December 31, 2018
(With comparative amounts for the fiscal year ended December 31, 2017)

| | 2018 Budget | 2018 Actual | Variance Favorable (Unfavorable) | 2017 Actual (Restated) |
|---|----------------------|----------------------|--|------------------------------|
| Operating Revenues | | | | |
| Water Sales | \$ 6,557,688 | \$ 6,568,387 | \$ 10,699 | \$ 6,246,232 |
| Tap-In and Service Charges | 442,248 | 451,910 | 9,662 | 327,484 |
| Reconnect Charges | 87,420 | 87,025 | (395) | 85,680 |
| Penalty Charges | 201,865 | 204,581 | 2,716 | 147,401 |
| Billing Fees | 64,512 | 72,525 | 8,013 | 62,850 |
| Intergovernmental | - | 9,210 | 9,210 | 8,972 |
| Other | 14,486 | 12,071 | (2,415) | 11,761 |
| Total Operating Revenues | <u>7,368,219</u> | <u>7,405,709</u> | <u>37,490</u> | <u>6,890,380</u> |
| Operating Expenses | | | | |
| Amortization | 15,161 | 16,450 | (1,289) | 16,798 |
| Bad Debts | 20,000 | 9,977 | 10,023 | - |
| Billing Costs | 118,358 | 127,952 | (9,594) | 130,331 |
| Chlorination | 367,737 | 365,914 | 1,823 | 330,077 |
| Computer Expense | 26,028 | 30,517 | (4,489) | 19,927 |
| Depreciation | 1,937,909 | 1,871,867 | 66,042 | 1,832,415 |
| Director's Expense | 27,180 | 27,300 | (120) | 28,650 |
| Employee Expense | 5,504 | 5,401 | 103 | 8,589 |
| Insurance - Hospitalization | 339,739 | 339,809 | (70) | 334,101 |
| Insurance - Business | 142,514 | 139,515 | 2,999 | 139,416 |
| Meter Reading | - | - | - | - |
| Office Expenses | 34,417 | 34,989 | (572) | 39,997 |
| Other | 96,297 | 102,498 | (6,201) | 89,179 |
| Payroll Taxes | 32,165 | 31,381 | 784 | 31,119 |
| Professional Fees | 70,167 | 68,334 | 1,833 | 125,506 |
| Repairs and Maintenance | 273,859 | 269,115 | 4,744 | 269,241 |
| Salaries and Wages | 1,116,498 | 1,100,340 | 16,158 | 1,013,238 |
| Retirement Benefits | 113,004 | 118,590 | (5,586) | 153,044 |
| Telephone | 68,394 | 69,124 | (730) | 62,259 |
| Utilities | 252,808 | 250,780 | 2,028 | 229,225 |
| Vehicle Expenses | 107,883 | 106,959 | 924 | 87,083 |
| Water Well Maintenance and Supplies | 81,668 | 83,459 | (1,791) | 92,781 |
| Total Operating Expenses | <u>5,247,290</u> | <u>5,170,271</u> | <u>77,019</u> | <u>5,032,976</u> |
| Operating Income (Loss) | <u>2,120,929</u> | <u>2,235,438</u> | <u>114,509</u> | <u>1,857,404</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Federal Emergency Management Agency Reimbursement | - | - | - | 121,537 |
| Realized Gain (Loss) on Sale of Capital Assets | 13,616 | 8,057 | (5,559) | 2,070 |
| Bond Issuance Costs Incurred | - | - | - | (222,420) |
| Interest Income | 49,953 | 52,451 | 2,498 | 26,263 |
| Interest Expense | (1,233,388) | (1,227,478) | 5,910 | (1,185,022) |
| Insurance Reimbursements | 8,214 | 6,845 | (1,369) | 14,245 |
| Other Income | 94,845 | 95,513 | 668 | 84,461 |
| Other Expense | - | - | - | - |
| Total Nonoperating Revenues (Expenses) | <u>(1,066,760)</u> | <u>(1,064,612)</u> | <u>2,148</u> | <u>(1,158,866)</u> |
| Income (Loss) Before Contributions and Transfers | <u>1,054,169</u> | <u>1,170,826</u> | <u>116,657</u> | <u>698,538</u> |
| Contributions and Transfers | | | | |
| Operating Transfers In from Tangipahoa Parish Council | - | 25,826 | 25,826 | - |
| Operating Transfers In | - | - | - | - |
| Change in Net Position | <u>1,054,169</u> | <u>1,196,652</u> | <u>142,483</u> | <u>698,538</u> |
| Total Net Position, Beginning | 11,898,425 | 11,898,425 | - | 11,199,887 |
| Prior Period Adjustments (Note 15) | (43,512) | (43,512) | - | (43,512) |
| Total Adjusted Net Position, Beginning | <u>11,854,913</u> | <u>11,854,913</u> | <u>-</u> | <u>11,156,375</u> |
| Total Net Position, Ending | <u>\$ 12,909,082</u> | <u>\$ 13,051,565</u> | <u>\$ 142,483</u> | <u>\$ 11,854,913</u> |

See auditor's report.

**Tangipahoa Water District
Schedule of Insurance
For the year ended December 31, 2018**

| <u>Insurance Company / Policy Number</u> | <u>Coverage</u> | <u>Amount</u> | <u>Period</u> |
|---|---|---------------------------|----------------------|
| The Travelers Indemnity Company Pol. # ZLP-14R32703 | Commercial Liability Coverages: | | 5/1/2018 to 5/1/2019 |
| | General Liability Limit Aggregate | \$ 2,000,000 | |
| | Products Complete Operations Aggregate | 2,000,000 | |
| | Personal & Advertising Injury Limit | 1,000,000 | |
| | Each Occurrence, Including Failure to Supply | 1,000,000 | |
| | Public Entity Management (\$5,000 deductible) | 1,000,000 | |
| | Fire Damage | 100,000 | |
| | Employment Related Practices Liability (\$25,000 deductible) | 1,000,000 | |
| The Travelers Indemnity Company Policy # ZUP-14R32715 | Commercial Excess Liability (Umbrella) (Retention Limit of \$10,000) | 5,000,000 | 5/1/2018 to 5/1/2019 |
| Travelers Property Casualty Company Pol. # H-660-9738M496 | Commercial Package Coverages: | | 5/1/2018 to 5/1/2019 |
| | Blanket Property Coverage | 6,420,000 | |
| | Equipment Floater - Scheduled | 238,126 | |
| | Equipment Floater - Non Owned (Rented/leased) | 50,000 | |
| | Crime Insurance: | | |
| | Employee Dishonesty (Blanket Fidelity Cov.) | 500,000 | |
| | Theft, Disappearance Inside | 35,000 | |
| | Theft, Disappearance Outside | 35,000 | |
| Computer Fraud | 35,000 | | |
| The Travelers Indemnity Company Pol. # H-810-3031P077 | Commercial Auto: Commercial Auto Liability Limit (Combined single limit) Comprehensive & Collision - \$1,000 Deductible | 1,000,000 As Scheduled | 5/1/2018 to 5/1/2019 |
| LUBA Casualty Insurance Company Pol. # 28000016758118 | Workers Compensation: | | 5/1/2018 to 5/1/2019 |
| | Part One - at Statutory Limits | | |
| | Part Two - Employers Liability | | |
| | Statutory Louisiana Limits | Included | |
| | Employers Liability (Each Accident) | 500,000 | |
| Disease Policy Limit | 500,000 | | |
| Disease Each Employee | 500,000 | | |

See auditor's report.

Schedule 5

**Tangipahoa Water District
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2018**

| <u>Name and Title / Contact Number</u> | <u>Address</u> | <u>Per Diem</u> | <u>Term Expiration</u> |
|---|--|-------------------------|------------------------|
| Bruce Bordelon, President (985) 507-2324 | 10698 Kellie Dr Hammond, LA 70401 | \$ 3,450 | March 2021 |
| John S. Wilde, Vice-President (985) 969-1540 | 23353 Stepp Road Ponchatoula, LA 70454 | 3,600 | March 2020 |
| Jason Lipscomb, Secretary (985) 634-6434 | 41520 Rue Maison Ponchatoula, LA 70454 | 2,850 | February 2020 |
| Carol Kinchen, Treasurer (985) 320-9614 | 735 E. Beech Street Ponchatoula, LA 70454 | 3,600 | July 2019 |
| Gary Kelly (985) 351-3845 | 15465 Hwy. 442 Tickfaw, LA 70466 | 3,300 | May 2020 |
| Guy Buckley, Jr. (985) 514-8720 | 14342 Hwy 38 Kentwood, LA 70444 | 3,600 | September 2020 |
| Don Marshall (985) 467-9125 | 28463 Grasshopper Trail Ponchatoula, LA 70454 | 3,600 | September 2020 |
| Devon Wells (985) 510-0922 | 601 Mooney Ave Hammond, LA 70403 | 3,300 | April 2021 |
| Total Compensation Paid | | \$ <u><u>27,300</u></u> | |

See auditor's report.

Schedule 6

**Tangipahoa Water District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018**

Agency Head Name: Charles Schlicher, Manager

| Purpose | Amount |
|--|-------------------|
| Salary | \$ 92,215 |
| Benefits-Insurance | 6,780 |
| Benefits-Retirement | 10,605 |
| Employer Paid Medicare & Social Security | 1,213 |
| | <u>\$ 110,813</u> |

See auditor's report.

**Tangipahoa Water District
Schedule of Water Rates
For the year ended December 31, 2018**

Water

| Residential Rates | Commercial Rates |
|--|--|
| Metered | Meter |
| \$ 14.00 - First 3,000 Gallons | 1" \$ 28.00 - First 10,000 Gallons |
| \$ 2.28 - Per 1,000 Gallons of Water over 3,000 Gallons | \$ 2.28 - Per 1,000 Gallons of Water over 10,000 Gallons |
| Apartments | 1 1/2" \$ 48.00 - First 20,000 Gallons |
| Metered | \$ 2.28 - Per 1,000 Gallons of Water over 20,000 Gallons |
| \$ 14.00 - First 3,000 Gallons | 2" \$ 68.00 - First 30,000 Gallons |
| \$ 2.28 - Per 1,000 Gallons of Water over 3,000 Gallons | \$ 2.28 - Per 1,000 Gallons of Water over 30,000 Gallons |
| Dairy Farms | 3" \$ 88.00 - First 40,000 Gallons |
| \$ 48.00 - First 30,000 Gallons | \$ 2.28 - Per 1,000 Gallons of Water over 40,000 Gallons |
| \$ 1.55 - Per 1,000 Gallons of Water over 30,000 Gallons | 4" \$ 108.00 - First 50,000 Gallons |
| Schools | \$ 2.28 - Per 1,000 Gallons of Water over 50,000 Gallons |

Billed according to meter size.

See auditor's report.

Tangipahoa Water District
Schedule of Water Customers
For the years ended December 31, 2018 and 2017

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>Increase (Decrease)</u> |
|-----------------|------------------------------|------------------------------|--------------------------------|
| Customers | | | |
| Residential | 19,316 | 18,824 | 492 |
| Commercial | 981 | 877 | 104 |
| Apartments | 226 | 226 | - |
| Dairy Farms | 1 | 2 | (1) |
| Total Customers | <u>20,524</u> | <u>19,929</u> | <u>595</u> |

See auditor's report.

**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 Governmental Auditing Standards**

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA



MEMBER

*American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants*

18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council

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 Tangipahoa Water District, Natalbany, Louisiana, a component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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. This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and the Rural Utilities Office. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana
June 27, 2019

Tangipahoa Water District
Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2018

We have audited the basic financial statements of Tangipahoa Water District as of and for the year ended December 31, 2018 and have issued our report thereon dated June 27, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2018 resulted in an unmodified opinion.

Section I Summary of Auditor's Report

a. Report on internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not applicable

Was management letter issued? No

Tangipahoa Water District
Tangipahoa Parish Council

Independent Accountant's Report on Applying
Agreed Upon Procedures

As of and for the Year Then Ended December 31, 2018



PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of
Tangipahoa Water District
and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

(The following procedures were not performed since there were no exceptions in the prior year.)

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
- 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.

Board or Finance Committee

(The following procedures were not performed since there were no exceptions in the prior year.)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

Bank Reconciliations

(The following procedures were not performed since there were no exceptions in the prior year.)

- 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.

Collections

(The following procedures were not performed since there were no exceptions in the prior year.)

- 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.

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).
Management provided me with a list of locations that process payments.
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.
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.
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.
Exception: *The employee responsible for processing payments is not prohibited from adding/modifying vendor files.*
Management's Response: *The District's manager review's copies of the cleared checks on the monthly bank statements for any fictitious vendors.*
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
The employee responsible for signing checks gives the 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.
All disbursements matched the related invoice.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
Each disbursement documentation included evidence of segregation of duties tested.

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

(The following procedures were not performed since there were no exceptions in the prior year.)

- 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).

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

(The following procedures were not performed since there were no exceptions in the prior year.)

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.

Contracts

(The following procedures were not performed since there were no exceptions in the prior year.)

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.

Payroll and Personnel

(The following procedures were not performed since there were no exceptions in the prior year.)

- 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.

Ethics

(The following procedures were not performed since there were no exceptions in the prior year.)

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.

Debt Service

(The following procedures were not performed since there were no exceptions in the prior year.)

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.

Other

(The following procedures were not performed since there were no exceptions in the prior year.)

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.

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.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana

June 27, 2019