

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION,
STATE OF LOUISIANA
Napoleonville, Louisiana**

Annual Financial Statements

July 31, 2018



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Independent Auditor's Report

The Board of Commissioners
Waterworks District No. 1 of the
Parish of Assumption, State of Louisiana
Napoleonville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (the District), a component unit of the Assumption Parish Police Jury, as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended July 31, 2018. The adoption of GASB Statement No. 75 restated the business-type activities net position and adjusted the disclosures and required supplementary information. Our opinion is not modified with respect to these matters.

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 5 - 9, and the schedule of the District's proportionate share of net pension liability (asset), the schedule of the District's contributions, and the schedule of changes in net OPEB liability and related ratios on pages 40 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head, the schedule of operating expenses, the schedule of changes in assets restricted for revenue bond debt service, and the schedule of compensation paid to board of commissioners listed as other supplementary information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head, the schedule of operating expenses, the schedule of changes in assets restricted for revenue bond debt service, and the schedule of compensation paid to board of commissioners are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of compensation, benefits, and other payments to agency head, the schedule of operating expenses, the schedule of changes in assets restricted for revenue bond debt service, and the schedule of compensation paid to board of commissioners are fairly stated, in all material respects, in relation to the 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 January 14, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Baton Rouge, Louisiana
January 14, 2019

REQUIRED SUPPLEMENTARY INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA

Management's Discussion and Analysis For the Year Ended July 31, 2018

Our discussion and analysis of the financial performance of the Assumption Parish Waterworks District No. 1 (the District) provides an overview of the District's financial activities for the fiscal year ended July 31, 2018. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by \$289,898 or 1.4%.
- The District's total operating revenues were \$5,360,003 for an increase of 4.3%.
- During the fiscal year ended July 31, 2018, the District had total operating expenses of \$4,775,480 for an increase of 8.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and other supplementary information. The basic financial statements include enterprise fund financial statements (government-wide) that provide both long-term and short-term information about the District's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements. Table 1 shows how the required parts of this annual report are arranged and relate to one another.

Table 1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of the financial statements.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Management's Discussion and Analysis
For the Year Ended July 31, 2018**

**Table 1
Major Features of Assumption Parish Waterworks District No. 1 Financial Statements**

Financial Statements	Enterprise Fund Statements (Government-Wide)
Scope	Entire Government
Required Financial Statements	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resources Focus
Type of Assets / Liability Information	All Assets and Liabilities, both Financial and Capital, and Short-Term and Long-Term
Type of Inflow / Outflow Information	All Revenues and Expenses during the Year, Regardless of When Cash is Received or Paid

Enterprise Fund Financial Statements (Government-Wide)

The statement of net position and the statement of revenues, expenses and changes in net position provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the changes in it. Net position - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Management's Discussion and Analysis
For the Year Ended July 31, 2018**

The statement of cash flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

FINANCIAL ANALYSIS OF THE ASSUMPTION PARISH WATERWORKS DISTRICT NO. 1

Net Position. The District's net position decreased between fiscal years 2017 and 2018 to \$20,612,023, or 1.4%. (See Table 2.)

**Table 2
Assumption Parish Waterworks District No. 1 Net Position**

	Business-Type Activities	
	2018	2017
Current and Other Assets	\$ 6,431,261	\$ 5,880,240
Capital Assets	20,557,284	20,451,534
Total Assets	26,988,545	26,331,774
Deferred Outflows of Resources	279,850	179,878
Total Assets and Deferred Outflows of Resources	27,268,395	26,511,652
Accounts Payable and Accrued Expenses	162,238	152,532
Customer Deposits	316,724	316,915
Revenue Bonds Payable	3,145,000	3,720,000
Net Pension Liability	-	122,459
Other Postemployment Benefit Liability	2,588,027	1,259,340
Total Liabilities	6,211,989	5,571,246
Deferred Inflows of Resources	444,383	38,485
Total Liabilities and Deferred Inflows of Resources	6,656,372	5,609,731
Net Position		
Net Investment In Capital Assets	17,412,284	16,731,533
Restricted for Revenue Bond Debt Service	464,500	451,450
Unrestricted	2,735,239	3,718,938
Total Net Position	\$ 20,612,023	\$ 20,901,921

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Management's Discussion and Analysis
For the Year Ended July 31, 2018**

Changes in Net Position. The District's total operating revenues increased by 4.3% to \$5,360,003. (See Table 3.) This increase is primarily due to the fact that water usage was up.

The cost of the total operating expenses increased by \$377,783 or 8.6%, primarily due to increases in chemicals and purification supplies, service materials, repairs and maintenance, and depreciation.

**Table 3
Changes in Assumption Parish Waterworks District No. 1 Net Position**

	Business-Type Activities	
	2018	2017
Operating Revenue		
Water Sales	\$ 4,924,117	\$ 4,664,723
Other Water Service Charges	205,537	206,872
Delinquent Charges	118,133	156,029
Billing and Collection Fees	112,216	113,777
Total Operating Revenues	5,360,003	5,141,401
Nonoperating Revenue		
Interest Income	65,966	34,231
Other Income	366,841	149,289
Total Nonoperating Revenue	432,807	183,520
Total Revenue	5,792,810	5,324,921
Expenses		
Operating Expenses	4,775,480	4,397,697
Nonoperating Expenses (Interest Expense)	71,432	85,828
Total Expenses	4,846,912	4,483,525
Change in Net Position	\$ 945,898	\$ 841,396

FINANCIAL ANALYSIS OF THE FUNDS

As the District completed the year, its enterprise fund reported total assets of \$26,988,545, which is an increase from last year of \$656,771, or 2.5%.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Management's Discussion and Analysis
For the Year Ended July 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of July 31, 2018, the District had \$20,557,284 net investment in capital assets. (See Table 4.)

**Table 4
Assumption Parish Waterworks District No. 1 Capital Assets
(Net of Depreciation)**

	Business-Type Activities	
	2018	2017
Land and Right of Way	\$ 171,071	\$ 171,071
Power Pumping and Purification Structures and Equipment	16,560,983	16,514,583
Transmission and Distribution Mains and Accessories	23,081,418	22,542,784
Transportation, Office, and Other Equipment	909,942	925,759
Construction in Progress	607,289	64,995
Accumulated Depreciation	(20,773,419)	(19,767,658)
Total Net Capital Assets	\$ 20,557,284	\$ 20,451,534

Debt

As of July 31, 2018, the District had \$3,145,000 in revenue bonds payable outstanding. The District is meeting all of its fund transfer requirements as set out in the bond resolutions. Additional information about the District's debt is presented in the notes to financial statements, Note 6 - Long-Term Obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District gets all of its revenues from water sales and services provided. The fiscal year July 2019 budget has revenue from water sales budgeted of approximately \$4,986,000, an increase of approximately \$320,000 over fiscal year ended July 2018 actual sales. The economy is not expected to generate any significant growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Bernard J. Francis, Jr., General Manager, 4633 LA Hwy 1, P.O. Drawer 575, Napoleonville, Louisiana 70390.

BASIC FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 1 OF THE
 PARISH OF ASSUMPTION, STATE OF LOUISIANA**
Statement of Net Position
July 31, 2018

Assets	
Current Assets	
Cash	\$ 389,926
Investments	4,376,774
Receivables	
Billed Water Charges, Net of Allowance for Doubtful Accounts of \$26,161	438,915
Unbilled Water Charges	204,411
Other Receivables	7,098
Inventory of Supplies	97,607
Prepaid Expenses	<u>18,724</u>
Total Current Assets	<u>5,533,455</u>
Restricted Assets	
Cash	102,053
Investments	<u>677,864</u>
Total Restricted Assets	<u>779,917</u>
Capital Assets, Net	<u>20,557,284</u>
Other Asset	
Net Pension Asset	<u>117,889</u>
Total Asset	<u>26,988,545</u>
Deferred Outflows of Resources	
Other Postemployment Benefits	168,573
Pension	<u>111,277</u>
Total Deferred Outflows of Resources	<u>279,850</u>

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**
Statement of Net Position (Continued)
July 31, 2018

Liabilities	
Current Liabilities	
Accounts Payable	88,048
Accrued Expenses	74,190
Revenue Bonds Payable - Current	<u>590,000</u>
Total Current Liabilities	<u>752,238</u>
Payable from Restricted Assets	
Customer's Deposits	<u>316,724</u>
Non-Current Liabilities	
Other Postemployment Benefit Liability	2,588,027
Revenue Bonds Payable	<u>2,555,000</u>
Total Non-Current Liabilities	<u>5,143,027</u>
Total Liabilities	<u>6,211,989</u>
Deferred Inflows of Resources	
Other Postemployment Benefits	243,760
Pension	<u>200,623</u>
Total Deferred Inflows of Resources	<u>444,383</u>
Net Position	
Net Investment in Capital Assets	17,412,284
Restricted for Revenue Bond Debt Service	464,500
Unrestricted	<u>2,735,239</u>
Total Net Position	<u><u>\$ 20,612,023</u></u>

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended July 31, 2018

Operating Revenue	
Water Sales	\$ 4,924,117
Other Water Service Charges	205,537
Delinquent Charges	118,133
Solid Waste, Garbage, and Sewerage Collection Fees	<u>112,216</u>
Total Operating Revenues	<u>5,360,003</u>
Operating Expenses	
Waterworks System Expenses	2,176,352
Office, General, and Administrative Expense	1,488,875
Depreciation	<u>1,110,253</u>
Total Operating Expenses	<u>4,775,480</u>
Net Operating Income	<u>584,523</u>
Nonoperating Revenue (Expense)	
Interest Income	65,966
Other Income	366,841
Interest Expense	<u>(71,432)</u>
Total Nonoperating Revenue (Expense)	<u>361,375</u>
Change in Net Position	945,898
Net Position, Beginning of Year	20,901,921
Change in Accounting Principle	<u>(1,235,796)</u>
Net Position, Beginning of Year, Restated	<u>19,666,125</u>
Net Position, End of Year	<u>\$ 20,612,023</u>

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**
Statement of Cash Flows
For the Year Ended July 31, 2018

Cash Flows from Operating Activities	
Cash from Customers	\$ 4,910,300
Cash Paid to Suppliers for Goods and Services	(2,026,832)
Cash Paid to Employees	(984,599)
Cash from Deposits	<u>2,014</u>
Net Cash Provided by Operating Activities	<u>1,900,883</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(1,216,003)
Principal Paid on Revenue Bonds	(575,000)
Interest Paid on Revenue Bonds	(71,432)
Other Nonoperating Revenues	<u>366,841</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,495,594)</u>
Cash Flows from Investing Activities	
Interest on Investments	65,966
Increase in Investments	<u>(284,394)</u>
Net Cash Used in Investing Activities	<u>(218,428)</u>
Net Increase in Cash and Cash Equivalents	186,861
Cash and Cash Equivalents, Beginning of Year	<u>305,118</u>
Cash and Cash Equivalents, End of Year	<u>\$ 491,979</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Cash Equivalents, Unrestricted	\$ 389,926
Cash and Cash Equivalents, Restricted	<u>102,053</u>
Total Cash and Cash Equivalents	<u>\$ 491,979</u>

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**
Statement of Cash Flows (Continued)
For the Year Ended July 31, 2018

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	\$ 584,523
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	1,110,253
(Increase) Decrease in:	
Accounts Receivable	7,760
Prepaid Expenses	15,090
Inventory	15,273
Net Pension Asset and Related Deferred Inflows and Outflows	112,850
Increase (Decrease) in:	
Accounts Payable	6,767
OPEB Liability and Related Deferred Inflows and Outflows	(62,661)
Net Pension Liability and Related Deferred Inflows and Outflows	108,280
Other Accrued Expenses	2,939
Customer Deposits	(191)
	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 1,900,883</u>

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

NOTES TO FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

On July 10, 1956, in accordance with the provisions of Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950, the Police Jury of the Parish of Assumption (the Police Jury) created the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (hereinafter referred to as the District). The District as created by the Police Jury encompasses the identical area as the Parish of Assumption (the Parish).

Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The following is a summary of the District's significant policies:

Reporting Entity

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Assumption Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

- Appointing a voting majority of an organization's governing body, and the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Police Jury.
- Organizations for which the Police Jury does not appoint a voting majority but are fiscally dependent on the Police Jury.
- Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Even though the District is legally separate from the Police Jury, the Police Jury appoints a majority of the District's governing body, and the Police Jury has the ability to impose its will on the District. The District also has the potential to provide specific benefits to, or impose specific financial burdens on, the Police Jury. Because of these reasons, the management of the District's office has determined that the District is a component unit of the Assumption Parish Police Jury.

Measurement Focus/Basis of Accounting

The enterprise fund statements (government-wide) were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales, connections and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

All highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash and cash equivalents for purposes of reporting cash flows.

Inventory

The District values its inventory of supplies at the lower of cost or market using the first-in, first-out method.

Capital Assets

All capital assets are capitalized in the enterprise fund and stated at historical cost less accumulated depreciation.

Depreciation of all exhaustible capital assets used by the enterprise fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method (see Note 5).

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Liabilities

Long-term debt such as revenue bonds payable is reported as liabilities on the statement of net position.

Contributions for Meters

Contributions received from customers for new meter services are treated as income. The cost of installing new meter services is expensed in the year incurred.

Vacation and Sick Leave

The District's employees earn one to five weeks of vacation annually based on number of years of employment. Employees can accumulate a maximum of 40 hours of unused vacation which can be carried forward and taken in subsequent periods. Upon termination, employees are paid for any unused current year and any accumulated vacation hours. Employees are allowed ten days of sick leave annually that may be used for sickness only. The sick leave plan is coupled with a disability insurance policy. No payment is made for sick leave not used upon termination or retirement; therefore, no accrual for sick leave is made.

Estimates

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

Equity Classifications

Government-Wide Statements: In the government-wide statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pension Plan

The District is a participating employer in a cost-sharing, multiple-employer defined benefit pension plan as described in Note 9. For purposes of measuring the net position asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualify for this category: pension asset and other postemployment benefits (OPEB), which are reported in the basic financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualify for this category: pension asset and other postemployment benefits, which are reported in the basic financial statements. The amounts deferred are recognized as an inflow of resources in the period that the amounts become available.

Adoption of New Accounting Principles

For the year ended July 31, 2018, the following statements were implemented:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, improves the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees - both active and inactive - are provided with postemployment benefits other than pensions. As a result of the implementation of this Statement, a change in accounting principle was recorded which reduced net position by \$1,235,796. In addition, disclosures and required supplementary information were adjusted.

GASB Statement No. 85, Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The implementation of this Statement did not significantly impact the financial statements or related notes.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Principles (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this Statement did not significantly impact the financial statements or notes.

Note 2. Cash and Cash Equivalents

Cash includes demand deposits and interest-bearing demand deposits. Under state laws, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any state in the union or the laws of the United States. Further, the District may deposit funds in time deposits or certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Also, state law requires that 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.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be recovered. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the carrying amount of the District's deposits was \$491,979 and the bank balance was \$746,016. Of the bank balance, \$250,000 was covered by federal deposit insurance and \$496,016 was covered by collateral held by the pledging bank's agent in the bank's name (Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute (LRS) 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.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 3. Investments

As of July 31, 2018, the District had \$5,054,638 invested in the Louisiana Asset Management Pool, Inc. (LAMP) which is included in the total investments balance. The LAMP portfolio includes only securities and other obligations in which local governments are authorized to invest in accordance with LRS 33:2955.

LAMP is administered by LAMP, Inc., a non-profit 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.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

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.

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 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.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 4. Receivables

The following is a summary of receivables at July 31, 2018:

	2018	%
Accounts Receivable		
Billed		
Current	\$ 343,155	74%
31 - 60 Days Past Due	69,102	15%
61 - 90 Days Past Due	10,371	2%
Over 90 Days Past Due	42,448	9%
Subtotal	465,076	
Allowance for Uncollectible Accounts	(26,161)	
Net Accounts Receivable	438,915	
Other Receivables		
Unbilled Water Charges	204,411	
Other	7,098	
Total Other Receivables	211,509	
Total Receivables, Net	\$ 650,424	

Note 5. Capital Assets

A summary of capital assets at July 31, 2018 follows:

	Beginning Balance 7/31/2017	Increases	Decreases	Ending Balance 7/31/2018
Non-Depreciable Assets				
Land	\$ 171,071	\$ -	\$ -	\$ 171,071
Construction in Progress	64,995	542,294	-	607,289
Total Non-Depreciable Assets	236,066	542,294	-	778,360
Depreciable Assets				
Power, Pumping, and Purification Structures and Equipment, Including Main Plant Building	16,514,583	46,400	-	16,560,983
Transmission and Distribution Mains and Accessories	22,542,785	540,938	(2,305)	23,081,418
Transportation, Office, and Other Equipment	925,759	86,371	(102,188)	909,942
Total Depreciable Assets	39,983,127	673,709	(104,493)	40,552,343
Less Accumulated Depreciation	(19,767,659)	(1,110,253)	104,493	(20,773,419)
Total Depreciable Assets, Net	20,215,468	(436,544)	-	19,778,924
Total Capital Assets, Net	\$ 20,451,534	\$ 105,750	\$ -	\$ 20,557,284

For the year ended July 31, 2018, depreciation expense was \$1,110,253.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 6. Long-Term Obligations

The following is a summary of bond transactions for the year ended July 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
Water Revenue Bonds Payable	\$ 3,720,000	\$ -	\$ (575,000)	\$ 3,145,000	\$ 590,000
Total Long-Term Debt	\$ 3,720,000	\$ -	\$ (575,000)	\$ 3,145,000	\$ 590,000

Bonds payable at July 31, 2018, is comprised of the following individual issues:

\$4,000,000 Revenue Bonds, Series 2013, dated May 23, 2013, due in annual installments of \$90,000 to \$670,000, excluding interest, through November 1, 2022; interest at 2.172%.	<u>\$ 3,145,000</u>
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The annual requirements to amortize all debt outstanding at July 31, 2018, including \$175,008 interest payments, are as follows:

Year Ending July 31,	Principal	Interest	Total
2019	\$ 590,000	\$ 61,902	\$ 651,902
2020	610,000	48,870	658,870
2021	630,000	35,404	665,404
2022	645,000	21,556	666,556
2023	670,000	7,276	677,276
Total	\$ 3,145,000	\$ 175,008	\$ 3,320,008

Note 7. Flow of Funds - Restrictions on Use

Under the terms of the Revenue Bonds, Series 2013 (see Note 6), dated May 23, 2013, the bonds shall be secured by and payable solely from a pledge and dedication of the net revenues of Assumption Parish Waterworks District No. 1 above statutory, necessary, and usual charges in each of the fiscal years. The agreement also requires that until the bonds have been paid in full in principal and interest, the District must budget annually a sum of money sufficient to pay the principal and interest on the bonds.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 7. Flow of Funds - Restrictions on Use (Continued)

For the payment of the principal and the interest on the bonds and any additional parity bonds, there is hereby created a special fund known as "Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, Revenue Bond and Interest Sinking" fund being maintained with the designated fiscal agent bank of the Issuer. The District shall deposit in the Sinking Fund monthly on or before the 20th day of each month of each year, a sum equal to one-sixth of the interest falling due on the next interest payment date and one twelfth 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 the same respectively become due. Said fiscal agent bank shall transfer from the Sinking Fund to the Paying Agent funds fully sufficient to pay promptly the principal and/or interest so falling due on such date.

On July 17, 1989, the Board of Commissioners of the District created the "Waterworks Utility Revenue Fund - Capital Improvements". Said fund was to receive monies in excess of \$50,000 shown in the annual audit report remaining in the Waterworks Utility Revenue Fund at July 31 of each year after making all required payments into the Sinking, Reserve, and Depreciation and Contingency Funds. The excess shall be considered surplus and shall be deposited in this fund. Said fund is to be used by the District for the purpose of retiring outstanding bonds in advance of their maturities, or any other legal purpose determined by the Board to be in the best interest of the District and not in violation of the 2006 Certificate of Indebtedness issue requirements. On October 25, 2004, a resolution was passed by the Board to increase the reserve in the Waterworks Utility Revenue Fund - Capital Improvements from \$50,000 to \$150,000. The required transfers to the Waterworks Utility Revenue Fund - Capital Improvements through the year ended July 31, 2018, is \$1,353,413.

Note 8. Contributions from Assumption Parish

On June 10, 1958, the District entered into an agreement with the Parish of Assumption whereby, in order to afford fire protection to the Parish and in order to provide adequate finances for construction of the waterworks system, the Parish agreed to issue \$1,065,000 ad valorem tax bonds to acquire necessary facilities and equipment for fire protection. Of this amount, \$935,000 was pledged to be used for construction of the joint waterworks and fire protection system. As of July 31, 2018, the Police Jury contributed \$60,000 for fire protection.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan

Assumption Parish Waterworks District No. 1 is a participating employer in a cost-sharing, multiple-employer defined benefit pension plan. This plan is administered by the Parochial Employees' Retirement System of Louisiana (PERS or the System). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. The System is administered by a separate board of trustees.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. This report may be obtained by writing, calling, or downloading the reports as follows:

PERS
7905 Wrenwood Blvd.
Baton Rouge, LA 70809
(225) 928-1361
www.persla.org

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *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 the pension plan's net pension liability and report the following disclosures:

Plan Description

The Parochial Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by LRS 11:1901.

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 its own retirement system and which elects to become a member of the System. Assumption Parish Waterworks District No. 1 is a participant in Plan B.

The following is a description of the plan and its benefits and is provided for general information purposes only.

Eligibility Requirements

All permanent District employees who work at least 28 hours per 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.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Plan Description (Continued)

Retirement Benefits

Any member of Plan B who was hired before January 1, 2007 can retire providing the member meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service
2. Age 60 with a minimum of ten (10) years of creditable service
3. Age 65 with a minimum of seven (7) years of creditable service

For employees hired after January 1, 2007:

1. Age 55 with thirty (30) years of creditable service
2. Age 62 with ten (10) years of creditable service
3. Age 67 with seven (7) years of creditable service

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

Survivor Benefits

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50, and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in DROP for up to three years and defer the receipt of benefits. During participation in DROP, 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.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Plan Description (Continued)

Deferred Retirement Option Plan (Continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on 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 DROP 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 interest based on money market rates of return or, at the option of the System, the funds may be credited to the self-directed subaccounts. The participant in the self-directed portion of the 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 B, a member shall be eligible to retire and receive a disability benefit if he/she was 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 B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

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 65 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 (LRS 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.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Funding Policy

Contributions to PERS are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended July 31, 2018, for the District and covered employees were as follows:

	Employer	Employee
Parochial Employees' Retirement System Plan B	8.00%	3.00%

The contributions made to the System for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	2018	2017	2016
Parochial Employees' Retirement System Plan B	\$ 75,627	\$ 74,900	\$ 73,790

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the District's proportionate share of the Net Pension Asset allocated by the pension plan based on the December 31, 2017 measurement date. The District used this measurement to record its Net Pension Asset and associated amounts as of July 31, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at December 31, 2017, along with the change compared to the December 31, 2016 rate.

The District's proportion of the Net Pension Asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Net Pension Asset at December 31, 2017	Rate at December 31, 2017	Decrease over December 31, 2016 Rate
\$ 117,889	0.936962%	-0.0057%

The following schedule lists the pension plan's recognized pension expense of the District for the year ended July 31, 2018:

Parochial Employees' Retirement System Plan B	<u>\$ 65,533</u>
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**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At July 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 61,395
Changes of Assumptions	69,363	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	138,750
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	478
District Contributions Subsequent to the Measurement Date	41,914	-
Total	\$ 111,277	\$ 200,623

The District reported a total of \$41,914 as deferred outflows of resources related to pension contributions made subsequent to the measurement date of December 31, 2017, which will be recognized as a reduction in Net Pension Asset in the year ended July 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:

Year Ended July 31,	PERS (Plan B)
2019	\$ (6,694)
2020	(19,153)
2021	(51,637)
2022	(53,776)
Total	\$ (131,260)

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Actuarial Methods and Assumptions

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

	PERS (Plan B)
Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75%, Net of Investment Expense, Including Inflation
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 increase 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 were 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 asset was 6.75% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the board of trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Actuarial Methods and Assumptions (Continued)

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.

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

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real Assets	2%	0.12%
Totals	<u>100%</u>	5.62%
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.62%</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 Sex Distinct Tables (set forward two years for males and one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table (set back five years for males and three years for females) was selected. For active employees, the RP- 2000 Employee Sex Distinct Tables (set back four years for males and three years for females) was used.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 9. Pension Plan (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan'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 asset. The discount rate used to measure the total pension asset was 6.75% for the year ended December 31, 2017.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the District's proportionate share of the Net Pension Liability (Asset) using the discount rate of the System as well as what the District's proportionate share of the Net Pension Liability (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 used by the System:

	1.0% Decrease (5.75%)	Current Discount (6.75%)	1.0% Increase (7.75%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 251,202	\$ (117,889)	\$ (429,230)

Payables to the Pension Plan

The District recorded accrued liabilities to the System for the year ended July 31, 2018. The amounts due are included in liabilities under the amounts reported as accounts, salaries, and other payables. The balance due to the System at July 31, 2018 was \$10,269.

Note 10. Postemployment Health Care and Life Insurance Benefits

Plan Description

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 10. Postemployment Health Care and Life Insurance Benefits (Continued)

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement providing they have at least 15 years of service. Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (DROP entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007, retirement eligibility (DROP entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

Employees Covered by Benefit Terms

At July 31, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	6
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Active Employees	<u>28</u>
	<u>34</u>

Total OPEB Liability

The District's total OPEB liability \$2,588,027 was measured as of July 31, 2018 and was determined by an actuarial valuation as of August 1, 2017.

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

Inflation	2.50%
Salary Increases	3.00%, Including Inflation
Prior Discount Rate	3.50%
Discount Rate	3.88% Annually
Healthcare Cost Trend Rates	Flat 5.5% Annually

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

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

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

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 10. Postemployment Health Care and Life Insurance Benefits (Continued)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (2.88%) or one percentage-point higher (4.88%) than the current discount rate:

	1.0% Decrease (2.88%)	Current Discount (3.88%)	1.0% Increase (4.88%)
Total OPEB Liability	\$ 3,370,388	\$ 2,588,027	\$ 2,060,354

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower (4.5%) or one percentage-point higher (6.5%) than the current healthcare cost trend rates:

	1.0% Decrease (4.50%)	Current Trend (5.50%)	1.0% Increase (6.50%)
Total OPEB Liability	\$ 2,044,439	\$ 2,588,027	\$ 3,382,515

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

For the year ended July 31, 2018, the District recognized OPEB expense of \$203,774. At July 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 168,573	\$ -
Changes in Assumptions	-	243,760
Total	\$ 168,573	\$ 243,760

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 10. Postemployment Health Care and Life Insurance Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ended July 31,	
2019	\$ (4,177)
2020	(4,177)
2021	(4,177)
2022	(4,177)
2023	(4,177)
Thereafter	(54,301)

Note 11. Deferred Compensation Plan

Employees of the District may participate in the deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (*Deferred Compensation Plans with Respect to Service for State and Local Governments*).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by the Public Employees Benefit Services Corporation (PEBSCO), an independent entity. All assets of the plan are reported at fair market value and are administered by an independent entity. As part of its fiduciary role, the District has an obligation of due care in selecting the third-party administrator.

The deferred compensation plan laws and related plan provisions were amended so that the plan assets are no longer subject to the claims of the Police Jury creditors. The plan assets belong only to the employees and are held in trust for the employees' exclusive benefit. Therefore, GASB Statement 32 no longer requires the assets of the plan to be reported in the combined balance sheet as a fiduciary fund. This disclosure is being made for informational purposes only.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 11. Deferred Compensation Plan (Continued)

The following is a summary of activity in the plan for the year ended July 31, 2018:

Asset Balance at August 1, 2017	\$ 289,976
Deferrals of Compensation	5,156
Earnings	44,052
Withdrawals	-
Asset Fees and Other	-
Asset Balance at July 31, 2018	\$ 339,184

Note 12. Additional Billing and Collection

The District has entered into formal contracts with the Assumption Parish Police Jury, the Village of Napoleonville, and St. Martin, Back Marais, Aysenne, RDG Developers, Worldwide Environmental Solutions, Ridgeway Waste, and Cypress Village whereby the District, as an agent, bills and collects for solid wastes services rendered by the Police Jury and the Village of Napoleonville and the sewerage services rendered by the Village of Napoleonville and the sewerage districts. The Police Jury, the Village of Napoleonville, and St. Martin, Back Marais, Aysenne, RDG Developers, Worldwide Environmental Solutions, Ridgeway Waste, and Cypress Village pay 5% of collections of charges to its residents.

Note 13. Self-Insurance Health Program

The District participates in a self-insurance health program for employees of the District and the Assumption Parish Police Jury. A third-party administrator processes the claims and maintains records of the allowable costs, deductible costs, etc., with the activity of this program being reported in the District's Waterworks System expenses. The District and Police Jury share these expenses in proportion with the respective number of employees covered. Under the program, the District and Police Jury maintain a specific stop loss policy which pays all claims exceeding \$60,000 per year per person and is unlimited. Before claims are paid by the carrier, an aggregating specific deductible of \$60,000 is to be paid by the insured. They also maintain an aggregate stop loss policy which will reimburse the program for the period ended August 31, 2018.

Note 14. Supplemental Cash Flows Disclosure

During the year ended July 31, 2018, the enterprise fund paid \$71,432 in interest on certificates of indebtedness outstanding. No amounts were paid for income taxes as the District is a component unit of the Assumption Parish Police Jury and governmental agencies are exempt from Federal and Louisiana income taxes.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Financial Statements

Note 15. Related Party Transactions

The District is a component unit of the Assumption Parish Police Jury. As described in Note 12, the District, as an agent, bills and collects for solid wastes services rendered by the Police Jury. In exchange for the service, the Police Jury pays the District 5% of collections of charges to its residents.

At July 31, 2018, the amount paid from the District to the Police Jury and collections paid from the Police Jury to the District totaled \$2,713,372 and \$113,349, respectively.

Note 16. Recent Reporting and Disclosure Developments

As of July 31, 2018, the Governmental Accounting Standards Board has issued several statements not yet implemented by the District. The Statements, which might impact the District, are as follows:

Statement No. 83 of the Governmental Accounting Standards Board

Certain Asset Retirement Obligations

The objective of this Statement is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 of the Governmental Accounting Standards Board

Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 of the Governmental Accounting Standards Board

Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of the District's Proportionate Share of Net Pension Liability (Asset)
For the Year Ended July 31, 2018**

	2018 PERS (Plan B)	2017 PERS (Plan B)	2016 PERS (Plan B)
District's Proportion of the Net Pension Liability (Asset)	0.9370%	0.9427%	0.9042%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (117,889)	\$ 122,459	\$ 160,989
District's Covered Payroll	\$ 952,706	\$ 936,756	\$ 918,971
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-12.3741%	13.0727%	17.5184%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.0192%	99.8906%	99.8906%

* *PERS (Plan B) - Parochial Employees' Retirement System of Louisiana*

** *The amounts presented have a measurement date of the previous fiscal year-end.*

*** *GASB 68 requires this schedule to show information for 10 years. The District has implemented GASB 68 in its 2016 fiscal year. Therefore, additional years will be displayed as they become available.*

See independent auditor's report.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of the District's Contributions
For the Year Ended July 31, 2018**

	2018	2017	2016
	PERS (Plan B)	PERS (Plan B)	PERS (Plan B)
Contractually Required Contribution	\$ 75,627	\$ 74,901	\$ 77,139
Contributions in Relation to Contractually Required Contribution	<u>75,627</u>	<u>74,901</u>	<u>77,139</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 941,700	\$ 936,256	\$ 806,578
Contributions as a Percentage of Covered Payroll	8.03%	8.00%	9.56%

* PERS (Plan B) - Parochial Employees' Retirement System of Louisiana

** The amounts presented have a measurement date of the previous fiscal year-end.

*** GASB 68 requires this schedule to show information for 10 years. The District has implemented GASB 68 in its 2016 fiscal year. Therefore, additional years will be displayed as they become available.

See independent auditor's report.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended July 31, 2018**

Total OPEB Liability	
Service Cost	\$ 106,989
Interest	100,962
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	177,939
Changes of Assumptions	(257,302)
Benefit Payments	<u>(35,698)</u>
Net Change in Total OPEB Liability	92,890
Total OPEB Liability - Beginning	<u>2,495,137</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 2,588,027</u></u>
Covered-Employee Payroll	\$ 898,333
Net OPEB Liability as a Percentage of Covered-Employee Payroll	288.09%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended July 31, 2018.

Changes of Assumptions. There were no changes of assumptions for the year ended July 31, 2018.

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

See independent auditor's report.

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Notes to Required Supplementary Information

Note 1 Pension Plan Schedules

Changes of Benefit Terms

There was no change of benefit terms noted for the 2017-2018 fiscal year for the pension plan.

Changes of Assumptions

For the 2017-2018 fiscal year, the pension plan discount rate used to measure the total pension liability as of the measurement date of July 31, 2018 changed from 7.00% to 6.75%.

OTHER SUPPLEMENTARY INFORMATION

**WATERWORKS DISTRICT NO. 1 OF THE
 PARISH OF ASSUMPTION, STATE OF LOUISIANA
 Schedule of Compensation, Benefits, and Other Payments
 to Agency Head
 For the Year Ended July 31, 2018**

Schedule 1

Agency Head
 Bernard Francis Jr.

Purpose	Amount
Salary	\$90,106
Benefits - Insurance	\$9,774
Benefits - Retirement	\$7,209
Benefits - Other	\$2,974
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements - Telephone	\$0
Reimbursements - Supplies	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of Operating Expenses
For the Year Ended July 31, 2018**

Schedule 2

Waterworks System Expenses

Purification and Plant Expenses

Chemicals and Purification Supplies	\$ 416,310
Salaries, Plant Personnel	373,640
Utilities	237,413
Repairs and Maintenance	149,593
Other Purification Expenses	137,714
OPEB	63,783
Telemetry	41,139
Professional Services	35,453
Payroll Taxes	26,959
Travel and Education	7,432
Supplies and Expenses, Meter Readers	6,930
Retirement Plan	5,042
Disability Insurance	4,511
Communication	2,056
Other Expenses	99

Total Purification and Plant Expenses	<u>1,508,074</u>
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Distribution, Operation, and Maintenance Expenses

Salaries	290,323
Retirement Plan	29,439
Service Materials	97,221
Repairs and Maintenance	68,121
OPEB	49,560
Utilities	33,361
Water User Fee	30,351
Transportation Expenses	27,720
Payroll Taxes	20,662
Other Expenses	17,701
Disability Insurance	3,564
Travel and Education	255

Total Distribution, Operation, and Maintenance Expenses	<u>668,278</u>
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Total Waterworks System Expenses	<u><u>\$ 2,176,352</u></u>
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**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of Operating Expenses (Continued)
For the Year Ended July 31, 2018**

Schedule 2

Office, General, and Administrative Expenses	
Group Insurance	\$ 489,738
Salaries	320,636
Insurance	198,179
Fire Departments	95,108
Stationary and Office Supplies	93,263
Professional Services, Engineering	55,716
OPEB	54,735
Professional Services, Legal, and Accounting	32,900
Retirement Plan	31,052
Uncollectible Accounts	24,002
Payroll Taxes	22,487
Uniform Reimbursements	11,022
Repairs and Maintenance	10,237
Dues and Fees	9,762
Communications	8,059
Per Diem Paid to Board Members	8,040
Deposit Delivery Charge	4,820
Travel and Education	4,152
Bank Charges	3,726
Unemployment Compensation Insurance	3,646
Other	3,213
Collections	2,793
Transportation	1,074
Rent of Police Jury, Equity in System	360
Substance Abuse Testing	155
	<hr/>
Total Office, General, and Administrative Expenses	\$ 1,488,875
	<hr/> <hr/>

**WATERWORKS DISTRICT NO. 1 OF THE
 PARISH OF ASSUMPTION, STATE OF LOUISIANA
 Schedule of Changes in Assets Restricted for Revenue
 Bond Debt Service
 For the Year Ended July 31, 2018**

Schedule 3

	Waterworks Utility Revenue Bond and Interest Sinking Fund - 2013
Cash and Investments at Beginning of Year	\$ 455,997
Increase in Cash and Investments	
Interest Earned	4,764
Transfers from Other Accounts	<u>657,681</u>
Total Cash Available	<u>1,118,442</u>
Decrease in Cash and Investments	
Principal Payment	575,000
Interest Payments	71,432
Transfers to Other Accounts	<u>7,510</u>
Total Decreases	<u>653,942</u>
Cash and Investments at End of Year	<u><u>\$ 464,500</u></u>

**WATERWORKS DISTRICT NO. 1 OF THE
 PARISH OF ASSUMPTION, STATE OF LOUISIANA
 Schedule of Compensation Paid to Board of Commissioners
 For the Year Ended July 31, 2018**

Schedule 4

Board Members	Number of Meetings	Per Diem
Bryan Dugas	12	\$ 720
Calvin Steward	13	780
Charles Brown Jr	13	780
Glen Comeaux	12	720
Jaime Boudreaux	11	660
Jeremy Pipsair	11	660
Keith A Sheffie	12	720
Paul J Lewis	13	780
Scott Sternfels	11	660
Vincent Nelson*	10	600
Wayne Arboneaux	13	780
Jerome Bougere	3	180
		<u>\$ 8,040</u>

* Vincent Nelson retired at the May 21, 2018 board meeting.
 Jerome Bougere was appointed as his replacement.

**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**

Independent Auditor's Report

The Board of Commissioners
Waterworks District No. 1 of the
Parish of Assumption, State of Louisiana
Napoleonville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (the District), a component unit of the Assumption Parish Police Jury, as of and for the year ended July 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, and have issued our report thereon dated January 14, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, Louisiana
January 14, 2019

**WATERWORKS DISTRICT NO. 1 OF THE
PARISH OF ASSUMPTION, STATE OF LOUISIANA
Schedule of Findings and Responses
For the Year Ended July 31, 2018**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

AGREED-UPON PROCEDURES REPORT

Waterworks District No. 1 of the
Parish of Assumption, State of Louisiana

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period August 1, 2017 - July 31, 2018

To Board of Directors of Waterworks District No. 1 of
the Parish of Assumption, State of Louisiana and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2017 through July 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. **Disbursements**, including processing, reviewing, and approving.

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RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

- 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.

Results: We obtained the written policies and procedures of the District. We found the following exception: 1(b) Purchasing policy did not address how vendors are added to vendor list.

Management's Response: The District will amend its policies and procedures to include the missing subcategories.

Bank Reconciliations

2. 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 four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

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

Results: We obtained a listing of bank accounts from the District and management's representation that the listing is complete. We selected the main operating accounts and four additional bank accounts. We noted no exceptions in the performance of procedures 2(a) and 2(b). While performing 2(c), we noticed that three of the bank accounts selected had multiple items that were outstanding for longer than 12 months. Waterworks Utility Revenue Fund had 22 outstanding items dating back to February 2015. Waterworks Utility Revenue Fund had 1 outstanding item that dated back to June 2015. ENT Customer Deposit Account had 148 items outstanding dating back to February 2013.

Management's Response: Management will review and investigate outstanding items.

Collections

3. 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 five deposit sites (or all deposit sites if less than five).

Results: We obtained from the District a listing of cash deposit sites and management's representation that the list is complete.

4. 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., five collection locations for five 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.

Results: The District has four collection locations, which were all selected for testing. No exceptions were noted at any of the locations in the criteria above.

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

Results: We noted that employees who are responsible for collecting cash are covered by a theft policy.

6. Randomly select two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Results: Five bank accounts were tested. We noted that only three of the five accounts tested had cash collection deposits. A total of six deposits were tested. No exceptions were noted in testing of criteria listed above.

Disbursements

7. 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).

Results: We obtained from the District a listing of payment processing locations and management's representation that the list is complete.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: The District only has one payment processing location, which was selected for testing. No exceptions were noted during the testing of procedures.

9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.
 - b. Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Results: No exceptions were noted during testing.

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

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Results: We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

11. Using the listing prepared by management, randomly select five cards (or all cards if less than five) 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) were 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.

Results: The District only has two credit cards, which were all selected for testing. We noted that the statements and supporting documentation had been reviewed and approved. We also noted that no finance charges or late fees were assessed in the month selected for testing.

12. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing). For each transaction, observe that it is supported by:
 - a. An original itemized receipt that identifies precisely what was purchased;
 - b. Written documentation of the business/public purpose; and
 - c. Documentation of the individuals participating in meals (for meal charges only).

Results: Two credit cards and a total of five charges were selected for testing. No exceptions were noted in the testing criteria listed above.

Travel and Travel-Related Expense Reimbursement

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

Results: We obtained a listing of travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing was complete. Five reimbursements were selected for testing. No exceptions were found in the testing criteria above.

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*. 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 the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2017 through July 31, 2018. 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.



A Professional Accounting Corporation

Baton Rouge, Louisiana
January 14, 2019