

TECHE-VERMILION FRESH WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2017 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Teche-Vermilion Fresh Water District, as of December 31, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, notes to budgetary comparison schedule, schedule of funding progress – other postemployment benefit plans, schedules of the District's proportionate share of the net pension liability and the schedules of the District's contributions on pages 3 through 6 and pages 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as the schedule of compensation, benefits and other payments to agency head in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Lafayette, Louisiana
June 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Teche-Vermilion Fresh Water District's financial performance provides an overview of Teche-Vermilion Fresh Water District's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements, which begin on page 10.

I. FINANCIAL HIGHLIGHTS

Teche-Vermilion Fresh Water District's net position increased by \$2,510,855 or 5.7% as a result of 2017's operations. The District's net position increased by \$1,865,208 or 4.4% as a result of 2016's operations.

Teche-Vermilion Fresh Water District's total revenues were \$5,340,731 in 2017, compared to \$5,382,728 in 2016, a decrease of \$41,998 or 0.8%. The District's total revenues were \$5,382,728 in 2016 compared to \$5,678,160 in 2015, a decrease of \$295,431 or 5.2% during the prior year.

Total expenses for Teche-Vermilion Fresh Water District during the year ending December 31, 2017 were \$2,829,876 compared to \$3,517,519 last year, a decrease of \$687,643 or 19.5%. The District's total expenses for the year ending December 31, 2016 were \$3,517,519 compared to \$4,290,239 in 2015, a decrease of \$772,718 or 18% in the prior year.

II. USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

1. FUND FINANCIAL STATEMENTS

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

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

III. TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

Teche-Vermilion Fresh Water District's total net position increased in the current year from \$44,025,802 to \$46,536,657. The following reflects the condensed statement of net position as of December 31, 2017, with comparative figures from 2016:

TABLE I
CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$34,587,058	\$34,314,872
Capital assets	13,724,574	12,543,404
Deferred outflows of resources	<u>323,757</u>	<u>466,796</u>
Total assets and deferred outflows of resources	<u>\$48,635,389</u>	<u>\$47,325,072</u>
Liabilities:		
Current liabilities	\$ 918,345	\$ 2,135,948
Long-term liabilities	<u>1,136,573</u>	<u>1,110,177</u>
Total liabilities	<u>\$ 2,054,918</u>	<u>\$ 3,246,125</u>
Deferred inflows of resources	<u>\$ 43,814</u>	<u>\$ 53,145</u>
Net position:		
Net investment in capital assets	\$13,724,574	\$12,543,404
Unrestricted	<u>32,812,083</u>	<u>31,482,398</u>
Total net position	<u>\$46,536,657</u>	<u>\$44,025,802</u>
Total liabilities and net position	<u>\$48,635,389</u>	<u>\$47,325,072</u>

The net position of Teche-Vermilion Fresh Water District's governmental activities increased by \$2,510,855 or 5.7% in 2017. The net position of the District's governmental activities increased by \$1,865,208 or 4.4% in 2016. Unrestricted net assets, the part of net position that can be used to finance Teche-Vermilion Fresh Water District expenses without constraints or other legal requirements, increased \$1,329,685 or 4.2% in 2017. Unrestricted net assets increased \$20,250 or 0.1% in 2016.

The following table provides a summary of the changes in net position for the year ended December 31, 2017, with comparative figures from 2016:

TABLE II
CONDENSED STATEMENT OF CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Revenues:		
General revenues –		
Ad valorem taxes	\$ 4,950,959	\$ 4,985,434
Grants and contributions	133,838	133,189
Investment earnings	230,047	246,890
Loss on disposal of asset	(2,187)	-
Other	28,074	17,214
Total revenues	\$ 5,340,731	\$ 5,382,727
Expenses:		
General government	\$ 2,829,876	\$ 3,517,519
Increase in net position	\$ 2,510,855	\$ 1,865,208

During the fiscal year ended December 31, 2017, property tax revenue decreased by \$34,475 or approximately 0.7%; investment earnings decreased by \$16,843 or approximately 6.8% primarily due to mark to market losses in 2017. Other revenues increased by \$10,860 or approximately 63.1%. Expenses decreased by \$687,643 or approximately 19.5%. During the fiscal year ended December 31, 2016, property tax revenue decreased by \$135,494 or approximately 2.6%; investment earnings decreased by \$155,797 or approximately 38.7% primarily due to significant mark to market losses in 2016, compounded by gains in 2015, and other revenues increased by \$1,236 or approximately 7.7%. Expenses decreased by \$772,720 or approximately 18.0%

IV. GENERAL FUND BUDGETARY HIGHLIGHTS

The Teche-Vermilion Fresh Water District's budget had no revisions during the 2017 fiscal year and one revision to increase the expenditures for the new pumps during the 2016 fiscal year. Actual revenues were less than budgeted revenues by \$85,384 and actual expenditures were \$4,422,866 less than budgeted expenditures during 2017.

The net change in fund balance for the year ended December 31, 2017 of \$1,653,082 was \$4,337,482 over the anticipated (budgeted) amount.

V. CAPITAL ASSETS

At the end of 2017, Teche-Vermilion Fresh Water District had \$13,724,574 invested in capital assets. This amount represents a net increase of \$1,181,170 or 9.4% from 2016. This increase was due primarily to construction projects, partially offset by depreciation expense during 2017. At the end of 2016, Teche-Vermilion Fresh Water District had \$12,543,404 invested in capital assets. This amount represented a net increase of \$1,844,958 or 17.2% from 2015.

VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor considered when preparing the fiscal 2018 budget was the ad valorem tax revenue. The ad valorem tax is expected to produce \$4,972,000 or approximately 91.1% of the total budgeted revenues. Interest earnings are budgeted at \$346,700 or approximately 6.3% of the total budgeted revenues. Total expenses have been fairly constant over the years. Accordingly, the 2018 budget was prepared based on 2017 results.

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

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF NET POSITION
December 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash	\$ 5,768,795
Investments	20,894,401
Receivables:	
Ad valorem taxes	4,638,531
State revenue sharing	88,964
Accrued interest	86,067
Inventory	<u>3,110,300</u>
Total current assets	<u>\$34,587,058</u>

CAPITAL ASSETS

Non-depreciable	\$ 5,921,205
Depreciable, net	<u>7,803,369</u>
Total capital assets	<u>\$13,724,574</u>

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension plan	<u>\$ 323,757</u>
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Total assets and deferred outflows of resources \$48,635,389

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 597,603
Retainage payable	246,855
Accrued liabilities	41,404
Accrued annual leave, current portion due	<u>32,483</u>

Total current liabilities \$ 918,345

LONG-TERM LIABILITIES

Accrued annual leave, net of current portion due	\$ 70,640
Unfunded net pension obligation	239,188
OPEB obligation	<u>826,745</u>

Total long-term liabilities \$ 1,136,573

Total liabilities \$ 2,054,918

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension plan	<u>\$ 43,814</u>
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NET POSITION

Net investment in capital assets	\$13,724,574
Unrestricted	<u>32,812,083</u>

Total net position \$46,536,657

Total liabilities, deferred inflows of resources and net position \$48,635,389

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Expenses:

Governmental activities – fresh water supply –	
General government:	
Personnel services	\$ 1,155,715
Utilities	530,656
Other services and charges	780,246
Depreciation	<u>363,259</u>
Total government activities	<u>\$ 2,829,876</u>
General revenues:	
Ad valorem taxes	\$ 4,950,959
Grants and contributions not restricted to specific programs	133,838
Investment income gains (losses)	230,047
Loss on disposal of asset	(2,187)
Miscellaneous revenue	<u>28,074</u>
Total general revenues	<u>\$ 5,340,731</u>
Change in net position	\$ 2,510,855
Net position, beginning of the year	<u>44,025,802</u>
Net position, end of the year	<u>\$46,536,657</u>

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2017

ASSETS	
Cash	\$ 5,768,795
Investments	20,894,401
Receivables:	
Ad valorem taxes	4,638,531
State revenue sharing	88,964
Accrued interest	86,067
Inventory	<u>3,110,300</u>
 Total assets	 <u>\$34,587,058</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 597,603
Retainage payable	246,855
Accrued liabilities	<u>41,404</u>
 Total liabilities	 <u>\$ 885,862</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue – ad valorem taxes	<u>\$ 5,101,090</u>
 Fund balances:	
Nonspendable –	
Inventory	\$ 3,110,300
Assigned to –	
Replacement of equipment	24,529,806
Operation and maintenance	500,000
Contingencies	300,000
Insurance deductible	<u>160,000</u>
 Total fund balances	 <u>\$28,600,106</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$34,587,058</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION

December 31, 2017

Total fund balance – governmental fund	\$28,600,106
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	13,724,574
Taxes and state revenue sharing revenues will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore, they are reported as deferred inflows in the fund financial statements.	5,101,090
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31 are:	
Compensated absences	(103,123)
Net pension obligation	(239,188)
OPEB obligation	(826,745)
Deferred outflows and inflows of resources related to pensions and applicable to future periods and therefore are not reported in the funds:	
Pension contributions subsequent to plan measurement date	92,606
Difference between actual and projected earnings on plan assets	185,619
Changes in proportion and differences between employer contributions and proportionate share of contributions	(1,837)
Changes in assumptions	45,411
Difference between actual and expected experience	<u>(41,856)</u>
Total net position of governmental activities	<u>\$46,536,657</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2017

Revenues:	
Taxes – ad valorem	\$ 4,979,388
Intergovernmental	133,892
Investment income gains (losses)	230,047
Miscellaneous	<u>28,074</u>
Total revenues	<u>\$ 5,371,401</u>
Expenditures:	
Current –	
General government	\$ 2,301,620
Capital outlay	<u>1,546,614</u>
Total expenditures	<u>\$ 3,848,234</u>
Excess of revenues over expenditures	\$ 1,523,167
Fund balance, beginning	<u>27,076,939</u>
Fund balance, ending	<u>\$28,600,106</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Net change in fund balance – governmental fund	\$1,523,167
The change in net position reported for governmental activities in the statement of activities is different because:	
The governmental fund reports capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Depreciation expense	(363,259)
Capital outlay	1,546,614
Loss on disposal assets	(2,187)
Taxes and state revenue sharing revenues recognized in the fund financial statements in the current year, but recognized as revenue in the prior year statement of activities.	
	(28,483)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, they are not reported as expenditures in the governmental fund. The adjustment relates to the adjustment for accrued compensated absences in the current period.	
	(9,153)
The effect of net pension liability, deferred outflow of resources and deferred inflows of resources related to the changes in the net pension obligation:	
Employer contributions made after the measurement date of the net pension liability	92,606
Costs of benefits earned net of required contributions	(134,187)
Net other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
	<u>(114,263)</u>
Change in net position of governmental activities	<u>\$2,510,855</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Reporting entity:

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary government:

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

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

Basis of presentation:

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

NOTES TO FINANCIAL STATEMENTS

Government-wide financial statements –

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

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

The government-wide statement of activities reports both the gross and net cost of the District. The District is supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District has no program revenues for the year ended December 31, 2017.

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

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

Fund financial statements –

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

Basis of accounting:

Government-wide financial statements –

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

Fund financial statements –

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means

NOTES TO FINANCIAL STATEMENTS

collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as "available" in the year following the assessment, when the majority of the taxes are collected. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year.

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

Use of estimates:

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

Investments:

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

Fair value measurement:

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

Level 1 – investments reflect prices quoted in active markets

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

Level 3 – investments reflect prices based upon unobservable sources

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

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

Inventory:

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

Fixed assets:

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

NOTES TO FINANCIAL STATEMENTS

Government-wide statements –

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

	<u>Years</u>
Water control structures	5 - 67
Buildings and improvements	10 - 25
Equipment	5 - 20

Fund financial statements –

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

Compensated absences:

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

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

Pensions:

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

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents

NOTES TO FINANCIAL STATEMENTS

a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

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

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The District is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The District recorded no impairment losses during the year ended December 31, 2017.

Net position flow assumption:

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

Fund balance flow assumption:

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

Equity classifications:

Government-wide statements –

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

- a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation.
- b. Unrestricted net positions – All other net assets that do not meet the definition of “net investment in capital assets.”

NOTES TO FINANCIAL STATEMENTS

Fund statements –

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

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

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

Recent accounting pronouncements:

In June of 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined other postemployment benefit plans (OPEBs) this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Footnote disclosure and required supplementary information requirements about defined benefit OPEBs also are addressed. This statement is effective

NOTES TO FINANCIAL STATEMENTS

for fiscal years beginning after June 15, 2017. The effects of this statement upon adoption next year cannot be determined at this time.

In March of 2016 the Governmental Accounting Standards Board (GASB) issued GASB Statement 82 *Pension Issues – an amendment of GASB Statements No. 67, No. 68, No. 73*. Prior to the issuance of this Statement, Statement 68 (as it applies to the District) required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This statement is effective for reporting periods beginning after June 15, 2016. The District adopted the applicable sections of this statement during 2017.

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

Note 2. Deposits and Investments

Deposits:

Custodial Credit Risk – The custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure that there is no exposure to this risk is to require the financial institutions to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. At December 31, 2017, the carrying amount of the District's demand deposits held with local banks was \$389,187 and the bank balance was \$448,580. Of the bank balance, \$250,000 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

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

NOTES TO FINANCIAL STATEMENTS

Investments:

As of December 31, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than One Year</u>	<u>One To Five Years</u>	<u>Five To Ten Years</u>	<u>More Than Ten Years</u>
Fixed U.S. Government Agency Obligations	\$20,412,410	\$5,983,120	\$14,429,290	\$ -	\$ -
Mortgage Backed Securities	<u>481,991</u>	<u>-</u>	<u>16,061</u>	<u>208,454</u>	<u>257,476</u>
	<u>\$20,894,401</u>	<u>\$5,983,120</u>	<u>\$14,445,351</u>	<u>\$ 208,454</u>	<u>\$ 257,476</u>

As of December 31, 2017, the District had \$5,379,508 invested in money market funds which is included in cash on balance sheet – governmental fund and the statement of net position. This money market fund did not have a credit quality rating as of December 31, 2017.

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

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

1. Bonds or securities which are direct obligations of the U.S. government or any agency thereof, provided that such obligations are backed by the full faith and credit of the United States of America,
2. Repurchase agreements where the collateral for the agreement is a direct obligation of the U.S. government; as long as these agreements are in writing, have a specific maturity date, properly identify each security to which the agreement applies, and state that in the event of default by the party agreeing to repurchase the securities described in the agreement at the term contained in the agreement, title to the described securities shall pass immediately to the District without recourse,
3. Pass-through mortgage-backed securities and collateralized mortgage obligations issued by the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Federal Housing Commission; and having a minimum rating of “AA” by Moody’s Standard & Poors or Fitch, and
4. Other investments which meet limitations imposed by the state of Louisiana R.S. 33:2955.

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

NOTES TO FINANCIAL STATEMENTS

Credit Risk/Concentration of Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy limits investments to the types of investments noted in the previous paragraph. In addition, the District’s investment policy limits individual issues to 10% of the portfolio; with the exception of U.S. Treasuries, where credit risk is recognized as minimal. As of December 31, 2017, all of the District’s investments were in U.S. Treasuries and U.S. Government Agency securities. All of the District’s investments are fixed income securities.

Note 3. Ad Valorem Taxes

Fund financial statements -

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

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

In 2000, a 10 year tax renewal in the amount of 1.5 mills was approved by the voters of Iberia, Lafayette, St. Martin, and Vermilion parishes. The tax is for the purpose of constructing, establishing, extending, maintaining, operating and protecting a fresh water supply and abating pollution in Bayou Teche and the Vermilion River within the District. On March 27, 2010, the District’s 1.5 mill tax was renewed by voters. The tax will expire in the year 2020. The Board of Commissioners has established an assessment of 1.41 mills in 2017.

Government-wide financial statements –

Ad valorem tax revenue is recognized in the year they are levied net of uncollectible amounts, as applicable.

Note 4. Long-Term Liabilities

The District’s long-term liabilities consists of accrued annual leave, unfunded net pension obligation and other post-employment benefit obligation at December 31, 2017. The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	<u>Balance</u> <u>01/01/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>
Accrued compensated absences	\$ 93,970	\$ 9,153	\$ -	\$ 103,123
Unfunded net pension obligation	331,313	-	(92,125)	239,188
Other post-employment benefit obligation	<u>712,482</u>	<u>114,263</u>	<u>-</u>	<u>826,745</u>
	<u>\$ 1,137,765</u>	<u>\$ 123,416</u>	<u>\$ (92,125)</u>	<u>\$ 1,169,056</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan

General information about the Plan:

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

Benefits provided:

Retirement

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees, who were hired prior to January 1, 2007, and who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. For employees hired after January 1, 2007 and who retire at age 55 with at least 30 years of creditable service, at age 62 with 10 years of creditable service or at age 67 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. As of December 31, 2017, the District had 13 active plan members.

Survivor benefits

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

Deferred retirement option plan

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

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

NOTES TO FINANCIAL STATEMENTS

Disability benefits

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

Contributions:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the plan year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of the member's compensation for Plan A. However, the actual rate was 13.00% of annual covered payroll for Plan A. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A, exclusive of employee portion, for the year ending December 31, 2017, was \$92,606, equal to the required contributions for the year of 12.50% of covered member compensation.

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

At December 31, 2017, the District reported a liability of \$239,188 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's required projected share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportion was .11614%, which was a decrease of .00973% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$132,961 in the government wide financial statements and \$92,606 in the fund financial statements. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Deferred resources:		
Differences between expected and actual experience	\$ -	\$ 41,856
Changes in assumptions	45,411	-
Net difference between projected and actual earnings on pension plan investments	185,619	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	121	1,958
Contributions subsequent to measurement date	<u>92,606</u>	-
Ending balance	<u>\$ 323,757</u>	<u>\$ 43,814</u>

NOTES TO FINANCIAL STATEMENTS

The District reported \$92,606 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31</u>	
2018	\$ 70,975
2019	\$ 74,990
2020	\$ 48,840
2021	\$ (5,015)
2022	\$ -
Thereafter	\$ -

Actuarial assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation		2.50%
Salary increases		5.25% (including inflation)
Investment rate of return		7.00% (net of investment expense)
Actuarial cost method		Entry age normal
Expected remaining service lives		4 years

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

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned a credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

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

The discount rate used to measure the total pension liability was 7.00%. 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

NOTES TO FINANCIAL STATEMENTS

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The long-term rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block approach (bottom-up). Risk and return correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

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, 2016 are summarized in the following table:

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Asset class:		
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	<u>2%</u>	<u>0.12%</u>
	<u>100%</u>	5.66%
Inflation		<u>2.00%</u>
Expected arithmetic nominal return		<u>7.66%</u>

The following presents the net pension liability of the District calculated using the discount rate of 7.00% as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 715,507</u>	<u>\$239,188</u>	<u>\$ (163,554)</u>

As of December 31, 2017, the District had no amounts payable to the plan for employer and employee shares of required contributions.

NOTES TO FINANCIAL STATEMENTS

Detailed information about the pension plan's fiduciary net position is available in audited stand-alone issued financial statements for the year ended December 31, 2016. Access to the audit report and financials can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated –				
Construction in progress	\$ 3,676,052	\$1,437,410	\$ -	\$ 5,113,462
Land	<u>807,743</u>	<u>-</u>	<u>-</u>	<u>807,743</u>
Total capital assets not being depreciated	<u>\$ 4,483,795</u>	<u>\$1,437,410</u>	<u>\$ -</u>	<u>\$ 5,921,205</u>
Capital assets being depreciated –				
Water control structure	\$ 27,990,913	\$ 26,794	\$ -	\$ 28,017,707
Buildings and improvements	672,947	-	-	672,947
Equipment	<u>1,093,419</u>	<u>82,412</u>	<u>(14,579)</u>	<u>1,161,252</u>
Total capital assets being depreciated	<u>\$ 29,757,279</u>	<u>\$ 109,206</u>	<u>\$ (14,579)</u>	<u>\$ 29,851,906</u>
Less accumulated depreciation for -				
Water control structure	\$(20,856,417)	\$ (265,366)	\$ -	\$(21,121,783)
Buildings and improvements	(354,722)	(12,722)	-	(367,444)
Equipment	<u>(486,531)</u>	<u>(85,171)</u>	<u>12,392</u>	<u>(559,310)</u>
Total accumulated depreciation	<u>\$(21,697,670)</u>	<u>\$ (363,259)</u>	<u>\$ 12,392</u>	<u>\$(22,048,537)</u>
Total capital assets being depreciated, net	<u>\$ 8,059,609</u>	<u>\$ (254,053)</u>	<u>\$ (2,187)</u>	<u>\$ 7,803,369</u>
Governmental activities capital assets, net	<u>\$ 12,543,404</u>	<u>\$1,183,357</u>	<u>\$ (2,187)</u>	<u>\$ 13,724,574</u>

Depreciation expense for the year ended December 31, 2017 was charged as follows:

General government	<u>\$ 363,259</u>
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NOTES TO FINANCIAL STATEMENTS

Note 7. Board Members Compensation

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

	<u>Number</u>	<u>Amount</u>
Mike Detraz	14	\$ 1,050
Donald Segura	15	1,125
Edward Sonnier	14	1,050
Tommy Thibodeaux	14	<u>1,050</u>
Total		<u>\$ 4,275</u>

Note 8. Assigned Fund Balance

The District and the United States Corps of Engineers entered into an agreement of local cooperation for the construction of improvements to supplement water supply in the Teche-Vermilion Basins. This agreement requires the District to maintain and operate all works after initial completion of the Project, including major replacements as necessary. The Board of Commissioners, by resolution and on recommendation of the Corps of Engineers, has assigned \$24,529,806 to provide the necessary funds for anticipated major replacements. In addition, the District has assigned \$160,000 of the fund balance for insurance deductibles, \$500,000 for future operation and maintenance and \$300,000 for contingencies of the District.

Note 9. Postemployment Benefits Other Than Pensions

Plan description:

The District's medical benefits are provided through the Louisiana Office of Group Benefits (OGB) and involve several statewide networks and one HMO with a premium structure by region.

The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an *agent multiple-employer plan* (within the meaning of paragraph 22 of GASB 45) for financial reporting purposes and for valuation. The valuation has been performed using the standard OGB rate structure as well as the OGB "Medicare Advantage" rate structure as noted below. Medical benefits are provided to employees upon actual retirement. Employees have been assumed to be subject to the following retirement eligibility (D.R.O.P. entry) provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 65 and 20 years of service. For employees hired on or after January 1, 2007, the provisions are age 55 and 30 years of service, or age 62 and 10 years of service.

Contribution rates:

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

NOTES TO FINANCIAL STATEMENTS

Fund policy:

Until 2009, the District recognized the cost of providing post employment medical benefits (the District's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post employment benefits on a pay-as-you-go basis. In 2017, the District's portion of health care funding cost for retired employees totaled \$34,994.

Effective January 1, 2009, the District implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Codification Section P50). The amount mentioned above was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual required contribution:

The District's ARC is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post employment benefits. The actuarially computed ARC for the fiscal year beginning January 1, 2017 is as set forth below:

	<u>Medical</u>
Normal cost	\$ 77,339
30 year UAL amortization amount	<u>71,403</u>
Annual required contribution (ARC)	<u>\$ 148,742</u>

Net post employment benefit obligation (asset):

The table below shows the District's net other post employment benefit (OPEB) obligation (asset) recognized in the government wide financial statements for fiscal year ending December 31, 2017:

	<u>Medical</u>
Beginning net OPEB obligation, January 1	\$ 712,482
Annual required contribution	\$ 148,742
Interest on net OPEB obligation, (asset)	28,499
Adjustment – annual required contribution	<u>(27,984)</u>
OPEB cost	\$ 149,257
Current year retiree premiums	<u>(34,994)</u>
Change in net OPEB obligation	<u>\$ 114,263</u>
Ending net OPEB obligation, December 31	<u>\$ 826,745</u>

NOTES TO FINANCIAL STATEMENTS

The following table shows the District's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded OPEB liability for the past three years:

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Medical	12/31/2017	<u>\$149,257</u>	<u>23.45%</u>	<u>\$ 826,745</u>
Medical	12/31/2016	<u>\$144,878</u>	<u>24.43%</u>	<u>\$ 712,482</u>
Medical	12/31/2015	<u>\$140,114</u>	<u>15.00%</u>	<u>\$ 602,996</u>

Funded status and funding progress:

In the fiscal years ending December 31, 2017, 2016 and 2015, the District made no contributions to its post employment benefits plan. The plan has not been funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2017, the most recent actuarial valuation, the AAL was \$1,284,125 (all of which is unfunded as of December 31, 2017), which is defined as that portion, as determined by a particular actuarial cost method (the District uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. The total covered payroll (active plan members) amounted to \$755,635 during 2017. The unfunded actuarial accrued liability as a percentage of covered payroll as of valuation date was 169.94%. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the District and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the District and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

NOTES TO FINANCIAL STATEMENTS

Actual cost method:

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial value of plan assets:

The District has not funded the plan. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50, will be used.

Turnover rate:

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 3%.

Post employment benefit plan eligibility requirements:

It is assumed that entitlement to benefits will commence four years after earliest eligibility to enter the D.R.O.P. as described above under the heading "Plan Description." This consists of a three year D.R.O.P. period plus one additional year. Medical benefits are provided to employees upon actual retirement.

Investment return assumption (discount rate):

GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in the valuation. This is an estimate of the expected long-term return of a balanced and conservative investment portfolio under professional management.

Health care cost trend rate:

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for 10 years out and later.

Mortality rate:

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans.

NOTES TO FINANCIAL STATEMENTS

Method of determining value of benefits:

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The "State Share" premiums in the OGB medical rate schedule provided are "unblended" rates for active and retired as required by GASB 45 and have been used for valuation purposes.

Inflation rate:

Included in both the investment return assumption and the healthcare cost trend rates above is an implicit inflation rate of 2.5% annually.

Post-retirement benefit increases:

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPEB cost	<u>\$149,257</u>	<u>\$144,878</u>	<u>\$140,114</u>
Contribution	\$ -	\$ -	\$ -
Retiree premium	<u>34,994</u>	<u>35,392</u>	<u>21,016</u>
Total contribution and premium	<u>\$ 34,994</u>	<u>\$ 35,392</u>	<u>\$ 21,016</u>
Change in net OPEB obligation	<u>\$114,263</u>	<u>\$109,486</u>	<u>\$119,098</u>
Percent of contribution to cost	0.00%	0.00%	0.00%
Percent of contribution plus premium to cost	23.45%	24.43%	15.00%

Note 10. Risk Management

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

Note 11. Commitments and Contingencies

At December 31, 2017, the District had fixed price contracts in progress for certain construction projects and repair projects. Total remaining expected contractual expenditures under these contracts, all of which are expected to be settled in the upcoming year, amounted to \$2,414,907 as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2017, the District had encountered unexpected problems and delays on one of the public works contracts included in the preceding paragraph. As a result, the principal contractor defaulted on the project and the insurance company issuing the performance bond became responsible to complete the project. Work to complete the project resumed around the middle of 2017. The additional work to rectify the problems encountered along with the delays in the project have caused expected costs to exceed the initial price of the contract. In 2017, the District approved an additional \$789,818 to deal with the issues holding up the project, however the parties could not agree on a final change order for the contract. As of December 31, 2017, the District is unable to determine what the actual additional costs will be due to numerous disputes over who is the responsible party for these costs and the potential assessment of liquidated damages under the initial contract.

Note 12. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Hospital has the following fair value measurements as of December 31, 2017:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Market for Identical Assets/Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed U.S. Government Agency Obligations	\$20,412,410	\$ -	\$20,412,410	\$ -
Mortgage Backed Securities	<u>481,991</u>	-	<u>481,991</u>	-
Investments	<u>\$20,894,401</u>	<u>\$ -</u>	<u>\$20,894,401</u>	<u>\$ -</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

(Required Supplementary Information)

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem taxes	\$ 5,094,000	\$ 5,094,000	\$ 4,979,388	\$ (114,612)
Intergovernmental revenues -				
State revenue sharing	129,000	129,000	133,892	4,892
Realized investment income	346,700	346,700	359,962	13,262
Miscellaneous revenues	<u>17,000</u>	<u>17,000</u>	<u>28,074</u>	<u>11,074</u>
Total revenues	<u>\$ 5,586,700</u>	<u>\$ 5,586,700</u>	<u>\$ 5,501,316</u>	<u>\$ (85,384)</u>
Expenditures:				
Current -				
General government:				
Personnel services -				
Salaries	\$ 750,700	\$ 750,700	\$ 757,361	\$ (6,661)
Group insurance	130,000	130,000	131,174	(1,174)
Retirement	125,000	125,000	92,606	32,394
Payroll taxes	<u>9,000</u>	<u>9,000</u>	<u>9,577</u>	<u>(577)</u>
	<u>\$ 1,014,700</u>	<u>\$ 1,014,700</u>	<u>\$ 990,718</u>	<u>\$ 23,982</u>
Utilities	<u>\$ 1,207,050</u>	<u>\$ 1,207,050</u>	<u>\$ 530,656</u>	<u>\$ 676,394</u>
Other services and charges -				
Advertising	\$ 5,000	\$ 5,000	\$ 3,789	\$ 1,211
Assessors' retirement	185,000	185,000	180,081	4,919
Compensation - board members	5,400	5,400	4,275	1,125
Dues	15,000	15,000	7,975	7,025
Fuel, oil and lubricants	25,000	25,000	16,324	8,676
Insurance	105,000	105,000	81,757	23,243
Maintenance contracts	1,000	1,000	621	379
Miscellaneous	2,700	2,700	2,763	(63)
Office supplies	32,700	32,700	28,483	4,217

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Other services and charges – (continued)				
Operating supplies	42,250	42,250	29,603	12,647
Professional services	470,900	470,900	197,183	273,717
Rent	42,000	42,000	22,264	19,736
Repairs and maintenance	1,114,400	1,114,400	162,627	951,773
Telephone	16,000	16,000	16,866	(866)
Travel	<u>58,000</u>	<u>58,000</u>	<u>25,635</u>	<u>32,365</u>
	<u>\$ 2,120,350</u>	<u>\$ 2,120,350</u>	<u>\$ 780,246</u>	<u>\$ 1,340,104</u>
 Total general government	 <u>\$ 4,342,100</u>	 <u>\$ 4,342,100</u>	 <u>\$ 2,301,620</u>	 <u>\$ 2,040,480</u>
Capital outlay:				
Office equipment	\$ 10,000	\$ 10,000	\$ 1,243	\$ 8,757
Automotive equipment	25,000	25,000	16,488	8,512
Operation and maintenance - equipment Improvements	134,000	134,000	64,681	69,319
	<u>3,760,000</u>	<u>3,760,000</u>	<u>1,464,202</u>	<u>2,295,798</u>
Total capital outlay	<u>\$ 3,929,000</u>	<u>\$ 3,929,000</u>	<u>\$ 1,546,614</u>	<u>\$ 2,382,386</u>
 Total expenditures	 <u>\$ 8,271,100</u>	 <u>\$ 8,271,100</u>	 <u>\$ 3,848,234</u>	 <u>\$ 4,422,866</u>
Excess (deficiency) of revenues over expenditures	\$ (2,684,400)	\$ (2,684,400)	\$ 1,653,082	\$ 4,337,482
Budgetary fund balance, beginning	<u>26,974,064</u>	<u>26,974,064</u>	<u>26,974,064</u>	<u>-</u>
Budgetary fund balance, ending	<u>\$ 24,289,664</u>	<u>\$ 24,289,664</u>	<u>\$ 28,627,146</u>	<u>\$ 4,337,482</u>

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

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULE
(Required Supplementary Information)

Note 1. Budgets and Budgetary Accounting

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

1. An annual budget, prepared on a basis consistent with generally accepted accounting principles as applied to governmental units, is adopted for the General Fund. The budget is proposed by the Director and adopted by the District.
2. Any amendments must be approved by the Board of Teche-Vermilion Fresh Water District. All appropriations lapse at the end of the fiscal year.

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

Note 2. Differences GAAP Actuals Versus Budgetary Basis Actuals

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

Investment income recognized under budgetary basis	\$ 359,962
Unrealized losses during the year	<u>(129,915)</u>
Investment income recognized under generally accepted accounting principles	<u>\$ 230,047</u>
Budgetary fund balance, year ending	\$28,627,146
Unrealized gain position in investments at year end	<u>(27,040)</u>
Fund balance, actual at year end	<u>\$28,600,106</u>

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
(Required Supplementary Information)
Year Ended December 31, 2017

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UALL as a Percentage of Covered Payroll</u>
2015	01/01/2015	-	\$1,284,125	\$1,284,125	-	\$746,955	171.91%
2016	01/01/2016	-	\$1,284,125	\$1,284,125	-	\$703,827	182.45%
2017	01/01/2017	-	\$1,284,125	\$1,284,125	-	\$755,635	169.94%

See Independent Auditors' Report.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY

(Required Supplementary Information)

For the Years Ended December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.11614%	0.12587%	0.12208%
District's proportionate share of the net pension liability	\$ 239,188	\$ 331,313	\$ 33,378
District's covered employee payroll	\$ 740,849	\$ 688,764	\$ 719,330
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	32.29%	48.10%	4.64%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

See Independent Auditors' Report.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

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

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

See Independent Auditors' Report.

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OTHER SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANASCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2017

Agency Head: Donald F. Sagrera

Purpose

Salary	\$ 104,000
Benefits – insurance	11,060
Benefits – retirement	13,000
Car allowance	18,949
Reimbursements	1,800
Conference travel	<u>434</u>
	<u>\$ 149,243</u>

See Independent Auditor's Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2017, and the related notes to the basic financial statements and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses at #2017-1 to be a material weakness.

Compliance and Other Matters

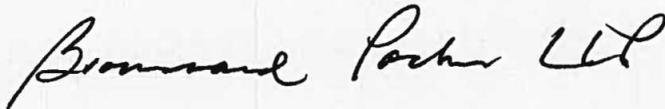
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. This report is intended for the information and use of the Teche-Vermillion Fresh Water District, management, others within the entity, federal awarding agencies and pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.



Lafayette, Louisiana
June 28, 2018

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2017

We have audited the basic financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2017, and have issued our report thereon dated June 28, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2017 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

Material weaknesses	<u>X</u> Yes	<u> </u> No
Control deficiencies identified that are not considered to be material weaknesses	<u> </u> Yes	<u>X</u> None reported

Compliance

Compliance material to financial statements	<u> </u> Yes	<u>X</u> No
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Section II - Financial Statement Findings

Finding #2017-1 Segregation of Duties

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

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

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

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

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

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

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF PRIOR FINDINGS
Year Ended December 31, 2017

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

Finding #2016-1 Segregation of Duties

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

Current Status: No change in current year. Finding repeated at #2017-1.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Teche-Vermilion Fresh Water District (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

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

While the District has policies and procedures in place these are not formalized in writing.
 - c. Disbursements, including processing, reviewing, and approving.

While the District has policies and procedures in place these are not formalized in writing.
 - d. Receipts, including receiving, recording, and preparing deposits.

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

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

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

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

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

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

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

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

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

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

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

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

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

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charters, or other equivalent document.

The Board meets on a monthly basis.

- b. Report whether the minutes reference or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity prior audit (GAAP-basis).

Per review of Board Meeting minutes, the Board reviews the budget-to-actual comparison on a quarterly basis and comparative financial statements on a monthly basis.

- i. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending

for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable

- c. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes did reference and include instances of non-budgetary financial information throughout the year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We obtained a listing of all bank accounts used by the District and management's representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if no more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared;

Yes, bank reconciliations were prepared for the account tested.

- b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Three of the twelve bank reconciliations selected included evidence that they were reviewed by a member of management with no involvement in the transactions associated with the bank account. The other nine did not have evidence of review.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Per review of the year end bank reconciliation for the account tested, there were no items outstanding for over 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We obtained from management a listing of all cash/check collection locations and management's representation that the listing is complete. There is only one collection location.

6. Using the listing provided by management, select all of the entity's cash collections locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection locations selected:

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We observed that the District has an insurance policy that covers employee theft. There is no written documentation for whom is responsible for collecting cash. However, the bookkeeper performs all cash collections and related transaction responsibilities. It is the District's policy that all bank reconciliations are reviewed by the Director.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Substantially all deposits consist of ad valorem taxes and state revenue sharing submitted by the parish sheriff departments. Copies of remittances are maintained. The District does not utilize a sequentially numbered receipt system.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We used the general ledger detail to pull all cash collections and selected the highest dollar week of collections for testing. Not all collections were deposited within one day of collection. The number of days from receipt to deposit range from 7-14 days.

- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

The cash collections tested above were completely supported by documentation and in agreement with deposit slip and clearance on the bank statement.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

There were no written policies or procedures for the items listed above. District management and board compare quarterly budget to actual reports for revenue accounts which are primarily ad valorem taxes and state revenue sharing.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We obtained the general ledger detail for the fiscal year ended December 31, 2017. We obtained management's representation that the general ledger detail was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Yes, purchases for repairs/maintenance and equipment were initiated using a requisition/purchase order system. A formal purchase order is not used for monthly bills and administrative expenses. However, these are all approved by the Director and Board.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Yes, all purchase orders were approved by a person who did not initiate the purchase.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Yes, payments were not processed without an approved purchase order, receiving report if required and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The District did not have written documentation addressing the above items. However, the bookkeeper performs all functions within the accounting system including adding vendors and processing payments.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The District did not have written documentation addressing the above items. However, the bookkeeper does not have signatory authority nor can they initiate major purchases. All transactions are recorded by the bookkeeper.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Per inquiry of management and observation, the supply of unused checks is stored in a fire proof safe with access restricted to those persons that do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable.

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

14. 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.

Management provided a list of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintain possession of the cards. We obtained management's representation that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

The District's one active credit card was used for testing.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

There was no evidence of approval on the monthly statements or supporting documentation.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
i. An original itemized receipt (i.e., identifies precisely what was purchased)

All transactions were supported by original itemized receipts.

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

All transactions had documentation of business/public purpose.

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The District does not have any written policy for the item above.

- c) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The District does not have any written policies for the item above. All transactions were in compliance with the Louisiana public bid law.

- d) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

There were no exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The District does not have any written policies for the item above.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The District does not have any written policies or procedures for the above item. The District's rates did not exceed the GSA rates.

- b) Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

All expense reimbursements were supported by original itemized receipts.

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

All expense reimbursements had documentation of the business/public purpose.

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

The District does not have any written policy for the above item.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

All travel and related expenses examined were approved by someone other than the person receiving the reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained the general ledger and sorted for contract payments. There were three contracts in effect during the fiscal period. We obtained management's representation that the listing was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

There was a formal/written contract that supports the services arranged and amounts paid for the three contracts.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The District was in compliance with the Louisiana Public Bid law..

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Two of the three contracts were amended for the following dollar amounts: contract 1 - \$217,994, contract 2 - \$122,968. All contracts were for construction of various projects and all amendments were approved change orders to the various projects.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The payments for the contracts complied with the terms and conditions of the contracts.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Board approval was given on all contracts.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payments made to the employees were made in strict accordance with the terms and conditions of the employment contract and/or pay rate structure found in the employees' files.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

All changes made to hourly pay rates/salaries during the fiscal period were approved by the Board and noted in the minutes. There is no written policy addressing the above items.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

We obtained attendance and leave records for all employees. We randomly selected a pay period in which leave was taken and selected one third of employees at random during that pay period for testing below.

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

Yes, all employees selected documented their daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Yes, there is written documentation that supervisors approved in writing the attendance and leave of the selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Yes, there is written documentation that a written leave records was maintained.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel

files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no terminations during the fiscal period ending December 31, 2017.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We viewed all payroll taxes and retirement contribution payment support made during the fiscal period, as well as the required reporting forms. All were submitted by the required deadlines to the applicable agencies.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Obtained ethics compliance documentation for all employees selected stating that required ethics training was completed.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per discussion with the District's management there were no alleged ethics violations in the fiscal period ending December 31, 2017.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per discussion with management, they did not have any misappropriations of public funds or assets.

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

Per observation, the notice required by R.S. 25:523.1 was posted on the District's premises but not on the website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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

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



Lafayette, Louisiana
June 28, 2018