

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

Annual Financial Report

June 30, 2018 and 2017

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
Annual Financial Report
June 30, 2018 and 2017**

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**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018 and 2017**

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

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

FINANCIAL HIGHLIGHTS

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

- Total assets increased by approximately \$1.6 million while total liabilities decreased by \$2.2 million.
- Total net position increased by \$2.2 million or 2.7% from the prior year. The net position of the Business Type Activities has been adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the District's fiscal year ending June 30, 2018.
- Operating revenues increased slightly by about 3.7% while operating expenses decreased by approximately 10% from the prior year.
- Non-operating revenues decreased by almost 6% while non-operating expenses decreased by less than a percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018 and 2017**

outflows and liabilities plus deferred inflows – is one way to measure financial health, or position.

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

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

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

FINANCIAL ANALYSIS

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

	FY2018	FY2017	Dollar Change
Current Assets	\$ 17.5	\$ 15.6	\$ 1.9
Restricted Assets	5.0	4.8	0.2
Capital Assets	73.0	73.5	(0.5)
Total Assets	95.5	93.9	1.6
Deferred Outflows	0.8	1.5	(0.7)
Current Liabilities	1.6	1.5	0.1
Long Term Liabilities	10.9	13.2	(2.3)
Total Liabilities	12.5	14.7	(2.2)
Deferred Inflows	1.2	0.2	1.0
Net investment in capital assets	64.3	63.2	1.1
Restricted	3.8	4.0	(0.2)
Unrestricted	14.6	13.3	1.3
Total Net Position	\$ 82.7	\$ 80.5	\$ 2.2

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The liabilities to assets ratio, which indicates the degree to which the assets are financed through borrowing and other obligations, decreased slightly due to scheduled debt payments from 15.6% in 2017 to 13.1% at June 30, 2018. Total net position increased \$2.2 million or 2.7%. The net position of the Business Type Activities has been adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the District's fiscal year ending June 30, 2018.

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

Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased by approximately 5%. Unrestricted Net Position increased by approximately \$1.3 million to \$14.6 million. The Net Investment in Capital Assets increased by \$1.1 million absorbing the remaining positive change in net position.

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

- Current assets increased by 2% primarily due to a increase in unrestricted cash and investments generated by from operations. Restricted cash and investments increased slightly as well.
- Capital assets decreased by \$.5 million primarily due to depreciation expensed that was in excess of new construction projects being entered into and completed during the fiscal year and capital assets purchased.
- Current liabilities increased slightly due to slight decreases in accounts payables and retainage payables.
- Long term debt outstanding decreased due to payments made reducing the outstanding balances at the end of the year.

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018 and 2017**

	FY 2018	FY 2017	Dollar Change
Operating Revenues	\$ 11.3	\$ 10.9	\$ 0.4
Non-operating Revenues	3.2	3.4	(0.2)
Total Revenues	14.5	14.3	0.2
Depreciation/Amortization Expense	4.1	4.2	(0.1)
Other Operating Expenses	7.9	8.8	(0.9)
Non-operating Expenses	0.3	0.4	(0.1)
Total Expenses	12.3	13.4	(1.1)
Income before Capital Contributions	2.2	0.9	1.3
Capital Contributions	0.7	0.7	-
Change in Net Position	2.9	1.6	1.3
Beginning Net Position, restated	79.8	78.9	0.9
Ending Net Position	\$ 82.7	\$ 80.5	\$ 2.2

Operating revenues increased by approximately \$.4 million or 3.7% and non-operating revenues decreased slightly by \$.2 million or 6%. Depreciation expense, other operating expenses and non-operating expenses remained relatively the same.

BUDGETARY HIGHLIGHTS

As required by its bond covenants, the District adopts an Operating and Capital Works Budget no later than June 30th of each year. The budget remains in effect the entire year unless it is revised.

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised. A comparison of budget and actual is presented in the following table:

	Budget	FY2018	Dollar Variance	Percent Variance
Operating Revenues	\$10.9	\$ 11.3	\$ 0.4	3.7%
Non-operating Revenues	2.3	3.2	0.9	39.1%
Total Revenues	13.2	14.5	1.3	9.8%
Operating Expenses	7.8	7.9	(0.1)	-1.3%
Depreciation	4.1	4.1	-	0.0%
Non-operating Expenses	0.5	0.3	0.2	40.0%
Total Expenses	12.4	12.3	0.1	0.8%
Income before Capital Contributions	0.8	2.2	1.4	175.0%

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For the Year Ended June 30, 2018 and 2017**

Capital Contributions	-	0.7	0.7	100.0%
Change in Net Position	0.8	2.9	2.1	262.5%
Beginning Net Position, restated	65.7	79.8	14.1	21.5%
Ending Net Position	<u>\$66.5</u>	<u>\$ 82.7</u>	<u>\$ 16.2</u>	<u>24.4%</u>

Significant budget variance explanations:

- **Operating Expenses varied due to increases in operating and maintenance expenses that were not anticipated.**
- Depreciation and Amortization of capital assets varied due to additions of items that were capitalized.

CAPITAL ASSETS

The District reported a net of \$73.0 million of capital assets. This amount represents a slight decrease (including additions and deductions and less depreciation) from the prior year as summarized below:

	2016	2017	2018
Land and Right of Ways	\$ 1,248,049	\$ 1,351,109	\$ 1,351,109
Construction in Progress	3,752,770	2,191,123	2,907,390
Water Plant & Building	35,180,766	35,664,437	36,434,725
Transmission & Distribution	100,341,271	105,826,498	107,730,677
Distribution Equipment	894,123	922,001	984,054
Administration Buildings	550,417	631,317	631,317
Furniture & Equipment	295,753	298,678	299,083
Transportation Equipment	642,921	631,001	656,441
Intangible Assets	47,088	48,875	52,500
Total Cost of Assets	142,953,158	147,565,039	151,047,296
Accumulated Depreciation/ Amortization	(70,258,368)	(74,046,570)	(78,024,227)
Total Capital Assets, Net	<u>\$ 72,694,790</u>	<u>\$73,518,469</u>	<u>\$ 73,023,069</u>
Depreciation/Amortization Expense	<u>\$ 3,970,589</u>	<u>\$ 4,167,382</u>	<u>\$ 4,058,646</u>

During the fiscal year \$2.8 million assets were capitalized, including \$2.1 million transferred from Construction in Progress. Depreciation of \$4.1 million was recorded, and \$81,675 of disposals were removed from the capital asset totals.

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018 and 2017**

DEBT ADMINISTRATION

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

	2016	2017	2018
Water Revenue Bonds:			
\$7,330,000 dated 10/28/04	\$ 845,000	\$ -	\$ -
\$10,000,000 dated 12/1/06	470,000	-	-
\$6,450,000 dated 11/22/11	4,145,000	3,520,000	2,875,000
\$3,660,000, dated 3/19/13	2,670,000	2,325,000	1,965,000
\$5,975,000, dated 5/26/15	5,975,000	5,975,000	5,475,000
Total Water Revenue Bonds	<u>\$ 14,105,000</u>	<u>\$ 11,820,000</u>	<u>\$ 10,315,000</u>
Deferral on Refunding	(257,067)	(187,658)	(153,854)
OPEB	185,874	195,236	939,819
Net Pension Liability	1,386,808	1,141,246	(388,156)
Total outstanding	<u>\$ 15,420,615</u>	<u>\$ 12,968,824</u>	<u>\$ 10,712,809</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2019, it is estimated that the District:

- Will serve an average of 32,976 customers; an increase of 118 over the average customers served for the twelve-month period ended March 31, 2018.
- Will generate water sales in the amount of 2,951,555 M gallons, an increase of 23,112 M gallons compared to the twelve-month period ending March 31, 2018.
- Resulting water service revenues are estimated to amount to \$11,607,525, which would be \$672,638 more than the March 31st twelve-month period, an increase of a little over 6%.

June 30, 2019 Summary of Projected Budget

Water Service Revenue	\$ 11,607,525
Operating Expenses	<u>(7,963,488)</u>
Net Operating Revenue	3,644,037
Other Income	2,889,452
Other Expenses	<u>(376,972)</u>
Net Income before Depreciation	6,156,517
Depreciation	<u>(4,200,000)</u>
Net Income	<u>\$ 1,956,517</u>

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Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied by the District. By election on December 6, 2014, the voters approved to continue a maximum operating and maintenance tax of 3.57 mills per annum. For the fiscal year 2018, the Board of Commissioners approved a 3.57 mill levy on for operating and maintenance tax purposes, and such levy has been used for budget purposes for the 2019 fiscal year.

The District's capital and restricted equity budget for fiscal year 2019 provides for total expenses of \$13,404,190, including \$6,681,330 of new/carryover construction, and waterline replacement projects and \$1,033,000 of office improvements and equipment and \$615,000 in new construction projects. Maintenance or Improvements are estimated to be \$734,000 from the restricted equity in 2018. Some of the most significant capital projects are as follows:

- | | |
|---|--------------|
| • New Projects (Construction/Replacement 2016-2017) | \$ 1,052,000 |
| • New Projects (Construction/Replacement 2017-2018) | \$ 1,500,000 |
| • New Projects (Construction/Replacement 2018-2019) | \$ 2,500,000 |

Significant Restricted Equity Projects:

- | | |
|---|------------|
| • Cleaning & Painting of Elevated Storage Tanks | \$ 734,000 |
|---|------------|

Significant Office Projects:

- | | |
|---|------------|
| • New addition to Administration Building | \$ 900,000 |
|---|------------|

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

CONTACTING MANAGEMENT

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

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

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Statements*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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



Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2018, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water District No. 1 of the Parish of Lafourche's internal control over financial reporting and compliance.

Stagni & Company

Thibodaux, Louisiana
October 30, 2018



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Net Position
Water Enterprise Fund
June 30, 2018 and 2017

ASSETS

CURRENT ASSETS

	2018	2017
Cash and cash equivalents	\$ 4,178,017	\$ 5,050,608
Investments	10,553,380	8,047,158
Receivables:		
Water sales	623,853	462,394
Unbilled water sales	1,068,009	1,038,553
Sewerage	71,593	72,469
Other	-	79,349
Inventories	659,896	528,528
Prepaid insurance	306,746	312,609
	17,461,494	15,591,668

RESTRICTED ASSETS (cash and investments):

Water revenue bond current debt service cash with fiscal agent	327,531	173,750
Water revenue bond current debt service cash account	1,422,698	1,382,366
Water revenue bond future debt service reserve account	1,949,348	1,931,140
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	277,678	259,323
Customer meter deposits investments	850,000	850,000
	5,027,255	4,796,579

CAPITAL ASSETS

at cost (net of accumulated depreciation/amortization
of \$78,024,227 for 2018 and \$74,046,570 for 2017)

	73,023,069	73,518,469
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TOTAL ASSETS

	95,511,818	93,906,716
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	153,854	187,658
Deferred Pension Contributions	185,416	204,793
Deferred Pension - Other	490,668	1,103,827
	829,938	1,496,278

TOTAL DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES

CURRENT LIABILITIES (payable from current assets):

Accounts payable and accrued expenses	78,116	54,121
Retainage payable	92,795	21,009
Due to other entities for water sale collections	168,235	172,856

CURRENT LIABILITIES (payable from restricted assets):

Interest accrued	153,781	173,750
Customer meter deposits	1,127,520	1,109,260
	1,620,447	1,530,996

LONG-TERM DEBT

Due within one year	1,560,000	1,505,000
Due after one year	8,755,000	10,315,000
Net other post employment benefits liability	939,819	195,236
Net Pension Liability (Asset)	(388,156)	1,141,246
	10,866,663	13,156,482

TOTAL LIABILITIES

	12,487,110	14,687,478
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DEFERRED INFLOWS OF RESOURCES

Deferred pension amounts	1,158,283	200,094
Deferred other post employment benefit amounts	4,934	-
	1,163,217	200,094

TOTAL DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net Investment in capital assets	64,268,069	63,203,469
Restricted for:		
Customer Deposits	1,127,520	1,109,260
Capital Projects and maintenance	817,254	1,078,274
Debt Service	1,867,562	1,852,500
Unrestricted	14,611,024	13,271,919
	\$ 82,691,429	\$ 80,515,422

See Notes to Financial Statements.

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

Comparative Statement of Revenues, Expenses and Changes in Net Position
Water Enterprise Fund
For the years ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Metered sales to regular customers	\$ 10,668,994	\$ 10,351,945
Metered sales to industrial and municipal customers	7,336	11,161
Connection charges and other revenues	620,186	567,856
	11,296,516	10,930,962
OPERATING EXPENSES:		
Water purchased for resale	32,493	32,415
Water treatment expenses	3,645,864	3,673,936
Transmission and distribution expenses	1,710,188	2,251,163
Customer accounts expenses	1,056,742	1,101,328
Administrative and general expenses	1,523,473	1,767,602
Depreciation and Amortization	4,058,646	4,167,382
	12,027,406	12,993,826
Operating Income (Loss)	(730,890)	(2,062,864)
NON-OPERATING REVENUE:		
Investment income	123,210	54,803
Ad Valorem taxes	2,981,311	3,151,150
Shared revenue	52,071	52,081
Grant - Lafourche Parish Council	-	90,117
Other income	5,792	52,903
BP Settlement	-	-
	3,162,384	3,401,054
NON-OPERATING EXPENSES:		
Interest on bonds	153,781	384,987
Amortization of debt discount and refunding	33,804	69,409
Other post employment benefits	0	9,362
(Gain) loss on sale of fixed assts	11,692	4,683
(Gain) loss on investments	(17,724)	(7,026)
	181,553	461,415
Income (loss) before Capital Contributions	2,249,941	876,775
Capital contributions and reserve purchases	675,583	673,319
Change in net position	2,925,524	1,550,094
Net Position:		
Beginning of year, restated	79,765,905	78,965,328
End of year	\$ 82,691,429	\$ 80,515,422

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from customers	\$ 11,204,086	\$ 10,859,878
Cash payments to suppliers for goods and services	(3,522,607)	(4,200,694)
Cash payments made to employees for services	(4,480,498)	(4,683,568)
Net cash provided (used) by operating activities	3,200,981	1,975,616
Cash flows from noncapital financing activities:		
Ad valorem taxes received	2,981,311	3,151,150
Revenue sharing grant	52,071	52,081
Other noncapital financing revenue	(33,086)	102,087
Net cash provided (used) by noncapital financing activities	3,000,296	3,305,318
Cash flows from capital and related financing activities:		
(Acquisition) sale of capital assets	(2,899,355)	(4,322,425)
Principal paid/defeased on revenue bond maturities	(1,443,680)	(2,285,000)
Interest on revenue bonds	(307,562)	(420,353)
Pension and OPEB accruals-net	-	246,661
Net cash provided (used) for capital and related financing activities	(4,650,597)	(6,781,117)
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	(2,349,676)	1,495,916
Gain (loss) on sale of investments	17,718	7,020
Interest and dividends on investments	123,210	54,803
Net cash provided (used) by investing activities	(2,208,748)	1,557,739
Net increase (decrease) in cash and cash equivalents	(658,068)	57,556
Cash and cash equivalents at the beginning of year	6,866,047	6,808,491
Cash and cash equivalents at the end of year	\$ 6,207,979	\$ 6,866,047
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 4,178,017	\$ 5,050,608
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	327,531	173,750
Water revenue bond current debt service account	1,422,698	1,382,366
Customer meter deposits	277,678	259,323
	\$ 6,205,924	\$ 6,866,047
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(\$730,890)	(\$2,062,864)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	4,058,646	4,167,382
Changes in assets and liabilities:		
(Increase) decrease in receivables	(110,690)	(80,259)
(Increase) decrease in inventory	(131,368)	32,915
(Increase) decrease in prepaid insurance	5,863	4,883
Increase (decrease) in accounts payable	19,374	(14,436)
Increase (decrease) in contracts and retainage payable	71,786	(81,180)
Increase (decrease) in customer deposits	18,260	9,175
Total adjustments	3,931,871	4,038,480
Net cash provided (used) by operating activities	\$ 3,200,981	\$ 1,975,616
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$675,583	\$673,319
Net Other Postemployment Benefits Obligation Increase	(\$744,583)	(\$9,362)
Net Pension Obligation (Asset) Increase (Decrease)	\$1,119,816	(\$472,178)
Amortization of debt discount and refunding	\$33,804	\$69,409
Revenue from Non-Employer Contributions	\$38,878	\$40,933

See notes to financial statements.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

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

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

Note 1 *Summary of Significant Accounting Policies*

Reporting Entity

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

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

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the District are prepared on the accrual basis of accounting for proprietary funds. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement 625, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses include the cost of sales and services, administrative expenses, amortization of intangible assets and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value.

The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

Receivables

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

Inventories

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

Prepaid Items

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

Encumbrances

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

Capital Assets

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

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

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

Capital Assets (continued)

Type of Asset	Service Life
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	
Intangible Assets	3 - 5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has multiple items that qualify for reporting in this category:

- The deferred charge on refunding reported in the statement of net position of \$153,854 and \$187,658 for 2018 and 2017 respectively and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt.
- The Deferred Outflow of resources related to pension contributions is the amount of the contributions paid after the pension plan measurement date (December 31, 2017 and 2016) with regards to GASB 68. These employer contributions from January-June 2018 and 2017 were \$185,416 and \$204,793, respectively. This amount will be amortized using a straight-line amortization method over a period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

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

Notes to Financial Statements
For the years ended June 30, 2018 and 2017

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

Deferred Outflows/Inflows of Resources (Continued)

- The deferred pension - Other is comprised of:
 - The proportionate share of deferred outflows at December 31, 2017 and 2016 (the pension plan measurement dates), includes the:
 - changes in employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date and were recognized in the pension expense/(benefit) using a straight amortization method over a period equal to the average of the expected remaining services lives (4 years) of all employees that are provided pensions through the pension plan;
 - the changes in assumptions about future economic or demographic factors is a deferred outflow that was recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provide with pensions through the pension plan;
 - the other pension outflows also include the net differences between projected and actual investment earnings on pension plan investments and were recognized in pension expense using the straight-line amortization method over a five year period.
 - These deferred outflows were \$490,668 and \$1,103,827 for 2018 and 2017, respectively for the measurement period (12/31/17 and 12/31/2016).

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

For GASB 68 the deferred inflows is for the proportionate share of the differences between the expected and actual experience with regard to economic or demographic factors and changes in proportion. The measurement of the total pension liability was recognized in pension expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives (4 years) of all employees that are provided with pension through the pension plan. These deferred inflows were \$1,158,283 and \$200,094 for 2018 and 2017, respectively for the measurement period (12/31/17 and 12/31/2016).

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

Deferred Outflows/Inflows of Resources (Continued)

For GASB 75 the deferred inflows is also for the proportionate share of the differences between the expected and actual experience with regard to economic or demographic factors and changes in proportion. The measurement of the total OPEB liability was recognized in OPEB expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives (4 years) of all employees. These deferred inflows were \$4,934 for 2018 for the measurement period 12/31/17. This was the first year of implementation so there was no amounts for the prior year.

Compensated Absences

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

- Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.
- Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.
- All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31st of each year shall be lost.

The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$38,555 and \$37,326 for 2018 and 2017, respectively and is included in accounts payable and accrued expenses on the Comparative Statement of Net Position.

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

Notes to Financial Statements
For the years ended June 30, 2018 and 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Pensions

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

Long term Obligations

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

Restricted Assets

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

Net Position

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

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

Contributed Capital

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

Estimates

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

Risk Management

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

Recently Issued Accounting Standards

The District has implemented the following new accounting pronouncements:

- GASB Statement No. 75-*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the District's fiscal year ending June 30, 2018.
- GASB Statement No. 78- *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the District's fiscal year ending June 30, 2018.
- GASB Statement No. 82-*Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the District's fiscal year ending June 30, 2018.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

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

The adoption of GASB Statement Numbers 78 and 82 did not have an impact on the District's financial position or results of operations. The adoption of GASB Statement No. 75 resulted in a restatement of net position in the Statement of Revenues, Expenses and Changes in Net Position of \$749,517 as discussed in Note 9.

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

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

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

Note 2 *Budget Information*

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

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 15, 2017 at the regular board meeting.

Note 3 *Deposits with Financial Institutions and Investments*

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2018 and 2017, the carrying amounts of deposits were \$15,605,695 and \$13,959,932 and the bank balances were \$16,138,840 and \$14,547,876. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit risk is the risk that in an event of a bank failure, deposits may not be returned to the entity. As of June 30, 2018, and 2017, \$15,387,203 and \$13,796,446 of the bank balances was exposed to custodial credit risk.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

Note 3 Deposits with Financial Institutions and Investments (continued)

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

FDIC and pledged securities valued at \$16,889,611 and \$17,349,737 for 2018 and 2017, respectively, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

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

Investments at June 30, 2018 consisted of:

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

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

Notes to Financial Statements
For the years ended June 30, 2018 and 2017

Note 3 Deposits with Financial Institutions and Investments (Continued)

Investments at June 30, 2017 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$1,556,116	\$1,556,116	Less than a year
U.S. Mortgage Backed	1,931,140	1,932,793	Less than a year
Certificates of Deposits	8,650,000	8,650,000	Less than a year
TOTAL	12,137,256	12,138,909	
LAMP	447,158	447,158	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$12,584,414	\$12,586,067	

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

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

Credit Risk and Custodial Credit Risk. State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the District's policy to limit its investments in these investment types. At March 2017 and 2018, the District's investment in LAMP was rated AAAM by Standard & Poor's.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

Note 3 Deposits with Financial Institutions and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in structured financial instruments, which are held by an agent in the District's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2018 and 2017, the District held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the District will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost.

Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

Note 4 Ad Valorem Taxes

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

	Authorized Millage	Levied Millage
Water District Operations	3.61	3.57

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

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2016. The assessed values for the property on January 1, on which the 2018 and 2017 levies were based, was \$871,328,577 and \$975,954,789, respectively.

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

Notes to Financial Statements

For the years ended June 30, 2018 and 2017

Note 4 *Ad Valorem Taxes* (continued)

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents. The millage levied for the year June 30, 2018 and 2017 was 3.57. Taxes collected as of June 30, 2018 on the 2017 taxes levied was 93%. Taxes collected as of June 30, 2017 on the 2016 taxes levied was 96%.

Note 5 *Deferred Compensation Plan*

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$18,000 for the 2017 and 2018 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$6,000 above the annual deferral limit. For the fiscal period ending June 30, 2018 and 2017, the contributions to the plan was \$21,731 and \$21,092, respectively.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979. This provision cannot be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 6 Capital Assets

Capital assets and depreciation summary follows:

Description	Balance		June 30, 2016		June 30, 2018	
Capital assets, not being depreciated						
Land and Right of Way	\$	1,248,049	\$	103,060	\$	1,351,109
Construction Projects in Progress		3,752,770		(1,561,647)	716,267	2,907,390
Total capital assets, not being depreciated		<u>5,000,819</u>		<u>(1,458,587)</u>	<u>716,267</u>	<u>4,258,499</u>
Capital assets, being depreciated						
Water Plant and Building		35,180,766		483,671	770,288	36,434,725
Transmissions and Distribution System		100,341,271		5,485,227	1,904,179	107,730,677
Distribution and Maintenance Equipment		894,123		27,878	62,053	984,054
Administration and Office Buildings		550,417		80,900	-	631,317
Furniture and Equipment		295,753		2,925	405	299,083
Transportation Equipment		642,921		(11,920)	25,440	656,441
Intangible Assets		47,088		1,787	3,625	52,500
Total capital assets, being depreciated		<u>137,952,339</u>		<u>6,070,468</u>	<u>2,765,990</u>	<u>146,788,797</u>
Accumulated Depreciation/Amortization						
Water Plant and Building		(17,363,847)		(1,131,675)	(1,005,037)	(19,500,559)
Transmissions and Distribution System		(51,055,646)		(2,663,263)	(2,600,804)	(56,319,713)
Distribution and Maintenance Equipment		(697,496)		(20,503)	(186,788)	(904,787)
Administration and Office Buildings		(433,228)		(19,923)	(24,417)	(477,568)
Furniture and Equipment		(210,914)		(25,621)	(23,308)	(259,843)
Transportation Equipment		(451,623)		74,001	(136,586)	(514,208)
Intangible Assets		(45,614)		(1,218)	-	(47,549)
Total accumulated depreciation/amortization		<u>(70,258,368)</u>		<u>(3,788,202)</u>	<u>(3,976,940)</u>	<u>(78,024,227)</u>
Total capital assets, being depreciated net		<u>67,693,971</u>		<u>2,282,266</u>	<u>(1,210,950)</u>	<u>68,764,570</u>
Total capital assets, net	\$	<u>72,694,790</u>	\$	<u>823,679</u>	\$	<u>73,023,069</u>
Depreciation/Amortization Expense	\$	<u>3,970,589</u>	\$	<u>4,167,382</u>	\$	<u>4,058,646</u>

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 6 Capital Assets (Continued)

Fiscal Year Ended	30-Jun-18	30-Jun-17
Assets Capitalized	\$ 2,847,717	\$4,920,993
Assets Disposed	\$ 81,675	\$ 309,112
Total Depreciation	\$ 4,057,930	\$4,166,164
Total Amortization	\$ 716	\$ 1,218

Note 7 Long-Term Debt

Long-term debt for the year ended June 30, 2018 and 2017 is as follows:

Water Revenue Bonds	2018	2017
Consisted of the following:		
\$6,450,000 Water Revenue Refunding Bonds dated November 22, 2011 with a Final maturity on January 1, 2022 and with interest at 2.0% to 3.5%	2,875,000	3,520,000
\$3,660,000 Water Revenue Refunding Bonds dated March 19, 2013, with a Final maturity on March 1, 2023 and with interest at 2.0% to 2.5%	1,965,000	2,325,000
\$5,975,000 Water Revenue Refunding Bonds dated May 26, 2015, with a final maturity on January 1, 2027 and with interest at 2.0-3.5%	5,475,000	5,975,000
TOTAL	\$10,315,000	\$11,820,000

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 7 Long-Term Debt (Continued)

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

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

Year Ended June 30, 2017	Amount
2018	\$1,852,500
2019	1,867,563
2020	1,894,475
2021	1,903,025
2022	1,929,325
2023-2027	4,070,175
TOTALS	\$13,517,063

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 7 Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2018 and 2017 follows:

	July 1, 2016	Additions/ (Retirements)	June 30, 2017	Additions/ (Retirements)	June 30, 2017
Water Revenue Bonds Payable	\$14,105,000	\$(2,285,000)	\$11,820,000	\$(1,505,000)	\$10,315,000
Deferral on Refunding	(257,067)	69,409	(187,658)	33,804	(153,854)
Net OPEB Obligation	185,874	9,362	195,236	744,583	939,819
Net Pension Liability	1,386,808	(245,562)	1,141,246	(1,529,402)	(388,156)
TOTAL	\$15,420,615	\$(2,451,791)	\$12,968,824	\$(2,256,015)	\$10,712,809

Note 8 Flow of Funds; Restrictions on Use

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

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

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

	2018	2017
Inactive employees or beneficiaries currently receiving benefit payments	9	11
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	63	64
	72	75

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

Total OPEB Liability. The Water District's total OPEB liability of \$939,819 and \$195,236 was measured as of June 30, 2018 and 2017, respectively and was determined by an actuarial valuation as of that date. The adoption of GASB Statement No. 75 as of July 1, 2017 resulted in a restatement of net position in the Statement of Revenues, Expenses and Changes in Net Position of \$749,517 as discussed further at the end of this footnote.

Actuarial Assumptions and other inputs.

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

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

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of June 30, 2018, the end of the applicable measurement period. Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% annually
Salary increases	is not applicable since neither the benefit structure nor the valuation methodology involves salary.
Discount rate	4%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality rates were based on the 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a 50%/50% unisex blend.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2017.

Changes in the Total OPEB Liability (Asset). The table below reflects the Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal years ending June 30, 2017 and 2018, respectively:

	2017	2018
Beginning Net OPEB Obligation	\$185,874	\$967,335*
Service Cost	76,418	12,897
Interest	7,435	37,935
ARC Adjustment	(10,749)	(4,934)
Annual OPEB Cost	73,104	45,898
Contribution	(63,742)	(73,414)
Change in Net OPEB Obligation	9,362	(27,516)
Ending Net OPEB Obligation	<u>\$195,236</u>	<u>\$939,819</u>

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

Years ending June 30:	
2019	(308)
2020	(308)
2021	(308)
2022	(308)
2023	(308)
Thereafter	(3,084)

For the year ended June 30, 2017, the Water District recognized OPEB expense of \$63,742 (actual contributions made) as per pre GASB 75 adoption. The other information above for the Sensitivity of the total OPEB liability to changes in the discount rate; Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates; and OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB are not available for June 30, 2017.

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

	OPEB Costs and Contributions		
	FY 2016	FY 2017	FY 2018
OPEB Cost	\$ 70,869	\$ 73,104	\$ 45,898
Contribution	-	-	-
Retiree premium	59,020	63,742	73,414
Total contribution and premium	59,020	63,742	73,414
Change in net OPEB obligation	\$ 11,849	\$ 9,362	\$ (27,516)
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	83.28%	87.19%	159.95%

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

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

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

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

Note 10 Pension Plan

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

Plan Description and Provisions

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension Plan (Continued)

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

Retirement Benefits

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

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

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

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

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

Survivor Benefits

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

Deferred Retirement Option Plan Benefits

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension Plan (Continued)

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

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

Disability Benefits

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

Cost of Living Increases

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

Contributions

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension Plan (Continued)

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

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes except Orleans and East Baton Rouge parishes. The system also received revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

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

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

The net pension liability for June 30, 2018 and 2017 was measured as of December 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The proportion of the net pension liability was based on a projection of the long-term contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 and 2016, the proportion of the plan was as follows:

<u>Plan</u>	<u>Proportionate share</u>	
	<u>12/31/16</u>	<u>12/31/17</u>
PERS	.554134%	.522948%

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

For the year ended June 30, 2018 and 2017, the District recognized pension expense as follows:

<u>Plan</u>	<u>Pension expense</u>
2018 PERS	\$ 61,323
2017 PERS	\$ 173,209

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

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

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (\$185,415) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

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

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

For June 30, 2017 for the December 31, 2016 measurement date the deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

<u>Plan</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<u>PERS</u>		
-Changes in proportion	\$1,506	\$387
-Differences between expected and actual experience		199,707
-Net difference between projected and actual earnings on pension plan investments	885,649	-
-Changes in assumptions	216,672	-
-Contributions subsequent to the measurement date	204,793	-
	<u>\$ 1,308,620</u>	<u>\$ 220,094</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (\$204,793) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

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

Year ended December 31:	
2017	\$ 335,994
2018	358,073
2019	233,593
2020	(23,926)

Actuarial assumptions:

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

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

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

Based on these assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

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

Risk return, and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

<u>Plan</u>	<u>PERS</u>
Inflation	2.50%
Salary increases	5.25%
	(2.75% Merit/2.50% Inflation)
Investment rate of return	7.00%
Actuarial cost method	Entry age normal
Expected remaining service lives	4 years

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

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

Based on these assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

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

Risk return, and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

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

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

Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

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

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

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

The following presents the District's proportionate shares of the net pension liabilities (assets) of the plan as of December 31, 2016, calculated using the discount rates as shown above, as well as what the District's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS	\$3,413,926	\$ 1,141,246	\$ (780,373)

Pension plan fiduciary net position:

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 10 Pension (Continued)

Support of Non-employer contributing entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2018 and 2017, the District recognized revenue as a result of support received from non-employer contributing entities of \$38,878 and \$40,933, respectively for its participation in PERS.

Payables to the pension plans:

At June 30, 2018 and 2017, there were no amounts due to the pension plan for employer and employee required contributions.

Note 11 Construction Commitments

Construction commitments at June 30, 2018 are as follows:

Project	Total Estimated Cost (1)	Costs Incurred to 6/30/18
18" Waterline Damaged	\$739,629	\$739,629
Flood Protection-Laurel Valley	69,725	9,570
Waterline Levee Improvements at Golden Meadow Floodgates	799,323	49,190
Waterline Replacement along N 3 rd Street et al	328,663	136,414
Waterline Replacement along E 63 rd Street et al	516,240	409,964
Waterline Replacement along W 20 th Street	318,045	278,066
HACH WIMS System	82,346	81,546
S Water Rapid Mix	126,352	15,375
New Surge Protection Tank N & S Plants	510,000	470,113
Interior Cleaning of Water Storage Tanks S-System	35,200	-
Painting & Repair of North Plan 2 Mil Gallon Ground Storage Tank	324,750	-
Totals	\$3,850,273	\$2,189,867

(1) Approved budget

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2018 and 2017

Note 12 Contingencies

The District like all Districts in the State of Louisiana must adhere to an Emergency Rule that was established by LDH-OPH to ensure the finished water storage tanks and all points in the distribution system have a disinfectant residual concentration to control the *Naegleria fowleri* amoeba and to ensure the public water systems are monitoring sites which are representative of the water throughout the distribution system for total coliform and disinfectant residual concentration.

The Emergency Rule continues to evolve by increasing sampling sites and making the system maintain a higher residual disinfectant level for all water systems in Louisiana. The Lafourche Parish Water District has also begun taking additional measures to be in a better position if their system would test positive for this amoeba. The future costs of continuing to complying with the emergency rule are unknown at this time.

Note 13 Subsequent Events

The Lafourche Parish Water District has evaluated subsequent events through the October 30, 2018 the date which the financial statements were available to be issued. There are no subsequent events to report.

***REQUIRED SUPPLEMENTAL
INFORMATION***

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

**Schedule of Per Diem and Compensation of Board of
Commissioners**

June 30, 2018

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

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

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

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

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

Notes to Required Supplementary Information

Benefit Changes

There were no changes of benefit terms for the year ended June 30, 2018.

Changes of Assumptions

There were no changes of assumptions for the year ended June 30, 2018.

***OTHER SUPPLEMENTAL
SCHEDULES***

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

Comparative Statement of Operating Expenses
Water Enterprise Fund
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Water Purchased for Resale	\$ 32,493	\$ 32,415
Water Treatment Expenses:		
Pumping Operations	666,532	645,074
Pumping Maintenance	64,727	83,070
Purification Operations	1,884,249	1,823,640
Purification Maintenance	1,030,356	1,122,152
Total Water Treatment Expenses	<u>3,645,864</u>	<u>3,673,936</u>
Transmission and Distribution Expenses:		
Distributions Operations	966,412	1,115,712
Distribution Maintenance	743,776	1,135,451
Total Transmission and Distribution Expenses	<u>1,710,188</u>	<u>2,251,163</u>
Customer Accounts Expenses:		
Customer Operations Expense	1,056,742	1,101,328
Total Customer Accounts Expense	<u>1,056,742</u>	<u>1,101,328</u>
Administrative and General Expenses:		
General Operating & Office Expense	1,277,632	1,513,314
Maintenance - General Property and Equipment	245,841	254,288
Total Administrative and General Expenses	<u>1,523,473</u>	<u>1,767,602</u>
Depreciation and Amortization	<u>4,058,646</u>	<u>4,167,382</u>
TOTAL OPERATING EXPENSES	<u>\$ 12,027,406</u>	<u>\$ 12,993,826</u>

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2018 and 2017

Revenue Fund		
	<u>2018</u>	<u>2017</u>
Cash Balance, July 1	\$ 1,813,257	\$ 1,796,439
Receipts:		
From Customers	11,355,619	11,324,304
Interest Earned	82,055	61,280
Transfers from Other Accounts	3,041,309	3,211,786
Others	1,584,375	1,211,984
	<u>16,063,358</u>	<u>15,809,354</u>
Disbursements:		
Operating Expense	11,156,952	11,755,223
Transfers to Other Accounts	4,823,052	4,037,313
	<u>15,980,004</u>	<u>15,792,536</u>
Cash Balance, June 30	<u>\$ 1,896,611</u>	<u>\$ 1,813,257</u>
 Maintenance and Operating Fund		
Cash Balance, July 1	\$ 6	\$ 6
Receipts:		
Ad Valorem Taxes (Net)	2,981,312	3,151,150
Revenue Sharing	52,070	52,081
	<u>3,033,382</u>	<u>3,203,231</u>
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	3,033,380	3,203,231
Cash Balance, June 30	<u>\$ 8</u>	<u>\$ 6</u>

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2018 and 2017

Renewal and Improvements Fund

	2018	2017
Cash Balance, July 1	\$11,283,503	\$12,248,259
Revenues:		
Interest Earned	16,715	8,044
Transfer from:		
Revenue Fund	4,848,960	4,128,283
Renewal & Improvements Investments	2,500,000	-
	7,365,675	4,136,327
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	5,815,400	5,101,083
Cash Balance, June 30	\$12,833,778	\$11,283,503

Summary of Cash and Investments - Current Assets

Revenue Fund	\$1,896,611	\$1,813,257
Maintenance and Operation Fund	8	6
Renewal and Improvements Fund	12,833,778	11,283,503
Payroll Clearing	100	100
Cash on Hand	700	700
Cash on Deposit - Collection Agent Accounts	200	200
Cash and Temporary Cash Investments - Current Assets	\$14,731,397	\$13,097,766
Unrestricted Cash and Cash Equivalents	\$ 4,178,017	\$ 5,050,608
Unrestricted Investments	10,553,380	8,047,158
	\$ 14,731,397	\$ 13,097,766

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

Statement of Cash Receipts and Disbursements - Restricted Assets
For the years ended June 30, 2018 and 2017

	<u>Current Debt Service Accounts</u>	<u>Future Debt Service Accounts</u>	<u>Water Revenue Bond Contingency</u>	<u>Customer Meter Deposits</u>	<u>2018 Total</u>	<u>2017 Total</u>
	<u>Bond Fund</u>	<u>Bond Reserve</u>				
Cash and investments July 1	\$ 1,556,116	\$ 1,931,140	\$ 200,000	\$ 1,109,323	\$ 4,796,579	\$ 4,796,579
Receipts:						
Interest earned	13,318	-	-	964	14,282	2,872
Customer deposits	-	-	-	155,465	155,465	150,090
Transfers from:						
Bond Fund	1,860,031	3,888,484	-	-	5,748,515	6,139,906
Bond Reserve	153,296	-	-	-	153,296	5,960
Total receipts	<u>2,026,645</u>	<u>3,888,484</u>	<u>-</u>	<u>156,429</u>	<u>6,071,558</u>	<u>6,298,828</u>
Disbursements:						
Principal	1,505,000	-	-	-	1,505,000	2,285,000
Interest	327,532	-	-	869	328,401	418,738
Refund of customer deposits	-	-	-	10,280	10,280	14,920
Transfers to:						
Bond Fund	-	3,870,276	-	-	3,870,276	3,860,974
Water Revenue Fund	-	-	-	126,925	126,925	125,995
Total disbursements	<u>1,832,532</u>	<u>3,870,276</u>	<u>-</u>	<u>138,074</u>	<u>5,840,882</u>	<u>6,705,627</u>
Cash and investments June 30	<u>\$ 1,750,229</u>	<u>\$ 1,949,348</u>	<u>\$ 200,000</u>	<u>\$ 1,127,678</u>	<u>\$ 5,027,255</u>	<u>\$ 4,796,579</u>

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

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

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

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

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

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

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

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

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

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

Schedule of Maturities

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

Dated: May 26, 2015

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

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

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

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

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2018

Agency Head Name: Dirk Barrios - General Manager

Purpose	Amount
Salary	\$96,881
Benefits - insurance	\$12,785
Benefits - retirement	\$11,439
Benefits - life insurance, short-term and long-term disability	\$833
Benefits - Medicare tax	\$0
Car Allowance	\$0
Vehicle provided by government - reported on 2015 W-2	\$663
Per Diem	\$0
Reimbursements:	\$0
Conference Travel - mileage	\$369
Conference Travel - hotel	\$641
Conference Per Diem - meals	\$194
Travel	\$0
Registration fees	\$244
Conference travel	\$0
Continuing professional education fees	\$0
Housing	\$0
Unvouchered expenses	\$0
Special meals	\$0
Fuel	\$0
Dues	\$0
Cell Phone	\$692
	<u>\$124,741</u>

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2018 and 2017
(Unaudited)**

All sales of water are metered.

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

At June 30, 2017, there were 32,883 active metered customers.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Insurance in Force-Unaudited
June 30, 2018

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

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



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, (the District) a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

October 30, 2018
Thibodaux, Louisiana



Lafourche Parish Water District No. 1

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

*As of and for the Year Ending
June 30, 2018*



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

AGREED-UPON PROCEDURES REPORT

Lafourche Parish Water District No. 1

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2017 – June 30, 2018

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

We have performed the procedures enumerated below, which were agreed to by Lafourche Parish Water District and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are as follows:

Written Policies and Procedures

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

completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.



Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the main operating account. We selected five (5) bank accounts and obtained bank statements and reconciliations for the randomly selected month – June 2018. All criteria were met without exception.*

Collections

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



- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.



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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

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

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*



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

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

Contracts

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*



Payroll and Personnel

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

Ethics

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*



Debt Service

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

Other

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

Results: *The District did not have exceptions in this category in Year 1 (June 30, 2017), therefore was excluded from testing in Year 2 (June 30, 2018).*

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

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

Stagni & Company

Thibodaux, LA
September 10, 2018



STAGNI & COMPANY, LLC
