

**VERMILION PARISH
WATERWORKS DISTRICT NO. 1**

Maurice, Louisiana

Financial Report

Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
BASIC FINANCIAL STATEMENTS	
Proprietary Fund Type - Enterprise Fund:	
Statement of net position	5-6
Statement of revenues, expenses and changes in net position	7
Statement of cash flows	8-9
Notes to basic financial statements	10-27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of employer's share of net pension liability/asset	29
Schedule of employer contributions	30
Notes to Retirement System Schedules	31
OTHER SUPPLEMENTARY INFORMATION	
Schedule of number of utility customers	33
Schedule of insurance in force	34
Comparative statements of net position	35-36
Comparative statements of revenues, expenses and changes in net position	37
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	
	39-40
Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan	
	41-42

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 respective financial position of the business-type activities of the District, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Abbeville, Louisiana

June 12, 2019

BASIC FINANCIAL STATEMENTS

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Position
December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,098,924
Receivables, net of allowance for uncollectibles	309,053
Prepaid expenses	<u>53,890</u>
Total current assets	<u>3,461,867</u>

Restricted assets -

Revenue bond and interest sinking account	73,504
Revenue bond reserve account	505,009
Revenue bond contingency account	488,171
Revenue bond short lived asset account	356,656
Customer deposits	<u>73,500</u>
Total restricted assets	<u>1,496,840</u>

Capital assets, net	<u>25,456,902</u>
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Net pension benefit	<u>66,430</u>
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Total assets	<u>30,482,039</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	<u>133,587</u>
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(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Position (Continued)
December 31, 2018

LIABILITIES

Current liabilities (payable from current assets):

Accounts payable	\$ 32,392
Accrued liabilities	12,519
Other liabilities	<u>50,951</u>
Total current liabilities (payable from current assets)	<u>95,862</u>

Current liabilities (payable from restricted assets):

Customer deposits	73,500
Accrued interest on bonds	31,413
Current portion of long term debt	<u>294,501</u>
Total current liabilities (payable from restricted assets)	<u>399,414</u>
Total current liabilities	<u>495,276</u>

Noncurrent liabilities:

Revenue bonds payable	<u>14,699,197</u>
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Total liabilities	<u>15,194,473</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>196,570</u>
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NET POSITION

Net investment in capital assets	10,463,204
Restricted for debt service	1,391,927
Unrestricted	<u>3,369,452</u>
Total net position	<u>\$15,224,583</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

Operating revenues:	
Charges for services -	
Water sales	\$ 2,756,637
Penalties	56,863
Reconnection fees	36,750
Meter fees	76,355
Other fees	1,340
Miscellaneous	<u>4,924</u>
Total operating revenues	<u>2,932,869</u>
Operating expenses:	
Salaries	481,237
Payroll taxes	6,246
Group and life insurance	102,595
Retirement	80,909
Insurance	76,928
Supplies	18,741
Telephone and utilities	110,087
Chemicals	124,965
Meter installation and reading	248,725
Depreciation	890,537
Professional fees	42,703
Maintenance and repairs	79,760
Automobile expense	18,344
Printing, postage and publications	60,734
Temporary services	27,710
Plant lease	5,550
Other	<u>23,116</u>
Total operating expenses	<u>2,398,887</u>
Operating income	<u>533,982</u>
Nonoperating revenues (expenses):	
Interest income	6,521
Gain on disposal of assets	4,500
Nonemployer pension contribution	6,654
Interest expense	<u>(597,972)</u>
Total nonoperating revenues (expenses)	<u>(580,297)</u>
Change in net position	(46,315)
Net position, beginning	<u>15,270,898</u>
Net position, ending	<u>\$ 15,224,583</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 2,957,105
Payments to suppliers	(798,303)
Payments to employees and related costs	(707,770)
Other receipts	<u>4,924</u>
Net cash provided by operating activities	<u>1,455,956</u>
Cash flows from noncapital financing activities:	
Increase in meter deposits, net	<u>2,800</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(283,671)
Interest paid on long-term debt	(598,373)
Proceeds from debt issuance	134,290
Proceeds from sale of capital assets	4,500
Acquisition and construction of capital assets	<u>(168,163)</u>
Net cash used by capital and related financing activities	<u>(911,417)</u>
Cash flows from investing activities:	
Interest income	<u>6,521</u>
Net increase in cash and cash equivalents	553,860
Cash and cash equivalents, beginning of period	<u>4,041,904</u>
Cash and cash equivalents, end of period	<u>\$ 4,595,764</u>

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2018

Reconciliation of operating income to net cash
provided by operating activities:

Operating income	\$ 533,982
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	890,537
Provision for bad debts	9,159
Other	26,376
(Increase) decrease in operating assets -	
Receivables, gross	27,212
Prepaid expenses	269
Increase (decrease) in operating liabilities -	
Accounts payable	3,256
Accrued liabilities	(36,783)
Other liabilities	1,948
Net cash provided by operating activities	<u>\$ 1,455,956</u>

Cash and cash equivalents, end of period -

Current	\$ 3,098,924
Restricted	<u>1,496,840</u>
	<u>\$ 4,595,764</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of Vermilion Parish Waterworks District No. 1 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District’s accounting policies are described below.

A. Financial Reporting Entity

The District was created in 1986 under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of Vermilion Parish. The District is governed by a board of commissioners composed of five members appointed by the Vermilion Parish Police Jury.

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

Because the Vermilion Parish Police Jury appoints the District’s governing body, the District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vermilion Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

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

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts. The allowance amount at December 31, 2018 is \$30,314.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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 constructed. The total interest expense incurred by the District during the year was \$597,972, all of which was expensed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	40 years
Equipment	5-10 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District’s bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

H. Restricted or Unrestricted Resources

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

I. Pensions

The net pension liability/asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, (described in more detail in Note 8), has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the financial statements.

(2) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover the collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2018, are as follows:

Bank balances	<u>\$4,640,497</u>
Deposits are secured as follows:	
Federal deposit insurance	250,000
Pledged securities	<u>4,390,497</u>
Total	<u>\$4,640,497</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(3) Receivables

Receivables at December 31, 2018 consist of the following:

Accounts receivable	\$ 208,247
Unbilled water	<u>130,940</u>
	339,187
Less: allowance for uncollectible receivables	<u>(30,134)</u>
Total	<u>\$ 309,053</u>

The aging of the accounts receivable is as follows:

Current	\$ 151,585
0 - 30 days	22,038
31 - 60 days	2,233
Over 60 days	<u>32,391</u>
Total	<u>\$ 208,247</u>

(4) Restricted Assets

Restricted assets consisted of the following at December 31, 2018:

Revenue bond and interest sinking account	\$ 73,504
Revenue bond reserve account	505,009
Revenue bond contingency account	488,171
Revenue bond short lived asset account	356,656
Customer deposits	<u>73,500</u>
Total restricted assets	<u>\$1,496,840</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(5) Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in process	-	6,674	-	6,674
Capital assets being depreciated:				
Treatment plants and buildings	437,681	-	-	437,681
Furniture, fixtures and equipment	1,245,398	30,946	17,240	1,259,104
Water distribution system	<u>33,050,177</u>	<u>-</u>	<u>-</u>	<u>33,050,177</u>
Total capital assets	<u>34,733,356</u>	<u>37,620</u>	<u>17,240</u>	<u>34,753,736</u>
Less accumulated depreciation for:				
Treatment plants and buildings	116,600	12,547	-	129,147
Furniture, fixtures and equipment	451,207	50,357	17,240	484,324
Water distribution system	<u>7,855,730</u>	<u>827,633</u>	<u>-</u>	<u>8,683,363</u>
Total accumulated depreciation	<u>8,423,537</u>	<u>890,537</u>	<u>17,240</u>	<u>9,296,834</u>
Capital assets, net	<u>\$26,309,819</u>	<u>\$ (852,917)</u>	<u>\$ -</u>	<u>\$25,456,902</u>

(6) Changes in Long-Term Debt

The following changes occurred in long-term debt for the year ended December 31, 2018:

Long-term debt payable at December 31, 2017	\$ 15,143,079
Long-term debt issued	134,290
Long-term debt retired	<u>(283,671)</u>
Long-term debt payable at December 31, 2018	\$ 14,993,698
Less portion of long-term debt due within one year	<u>(294,501)</u>
Portion of long-term debt due in more than one year	<u>\$ 14,699,197</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

Long-term debt payable at December 31, 2018 is composed of the following issues:

\$1,530,000 Water Revenue Bonds issued October 12, 2000 in two series as follows:

\$1,368,000, due in monthly installments of \$6,430 over forty years starting November 2001 through October 2040; interest at 4.75 percent	\$ 1,045,811
\$162,000, due in monthly installments of \$789 over forty years starting November 2001 through October 2040; interest at 5 percent	124,947
\$1,256,000 Water Revenue Bonds, Series 2002, issued November 26, 2002, due in monthly installments of \$5,803 over forty years starting December 2003 through November 2042; interest at 4.625 percent	1,004,665
\$2,265,000 Water Revenue Bonds, Series 2004A, issued February 19, 2004, due in monthly installments of \$10,283 over forty years starting March 2005 through February 2044; interest at 4.5 percent	1,834,151
\$2,193,000 Water Revenue Bonds, Series 2004B, issued April 14, 2004, due in monthly installments of \$9,781 over forty years starting May 2005 through April 2044; interest at 4.375 percent	1,775,707
\$725,000 Water Revenue Bonds, Series 2005, issued January 14, 2005, due in monthly installments of \$3,292 over forty years starting February 2006 through April 2045; interest at 4.5 percent	604,472
\$4,572,000 Water Revenue Bonds, Series 2009 issued November 3, 2009, due in monthly installments of \$20,025 over forty years starting November 2010 through October 2049; interest at 4.25 percent	4,123,974
\$2,049,000 Water Revenue Bonds, Series 2010 issued November 3, 2009, due in monthly installments of \$7,889 over forty years starting October 12, 2010 through October 2049; interest at 3.375 percent	1,809,542
\$2,750,000 Water Revenue Bonds, Series 2016 issued March 9, 2016, due in monthly installments of \$9,213 over forty years starting February 2017 through February 2056; interest at 2.5 percent, \$2,615,696 issued as of December 31, 2017	<u>2,670,429</u>
	<u>\$ 14,993,698</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

The annual requirement to amortize all debt outstanding at December 31, 2018 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 294,501	\$ 587,542	\$ 882,043
2020	306,614	575,429	882,043
2021	319,242	562,801	882,043
2022	332,408	549,635	882,043
2023	346,138	535,905	882,043
2024 - 2028	1,958,066	2,452,153	4,410,219
2029 - 2033	2,401,034	2,009,185	4,410,219
2034 - 2038	2,947,873	1,462,346	4,410,219
2039 - 2043	3,169,528	811,353	3,980,881
2044 - 2048	1,941,201	325,158	2,266,359
2049 - 2053	751,695	64,843	816,538
2054 - 2057	<u>225,398</u>	<u>7,481</u>	<u>232,879</u>
Total	<u>\$ 14,993,698</u>	<u>\$ 9,943,831</u>	<u>\$ 24,937,529</u>

(7) Flow of Funds: Restrictions on Use - Utility Revenues

Under the terms of the various bond indentures on outstanding Water Revenue Bonds, all income and revenue of every nature, earned or derived from operations of the Water System are pledged and dedicated to the retirement of said bonds and are to be deposited in funds in the following order of priority and for the following express purposes:

All revenue must be deposited into a "Water Revenue Fund" to be first used for the payment of all reasonable and necessary expenses of operating and maintaining the System.

A "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") shall be established and maintained by transferring monthly an amount sufficient to pay promptly and fully the principal of and the interest on the Bonds on or before the 20th day of each month of each year payment is required on the Bonds.

A "Water Revenue Bond Reserve Fund" (the "Reserve Fund") shall be established and maintained by transferring monthly, on or before the 20th day of each month of each year, a sum at least equal to 5% of the amount to be paid into the Sinking Fund. Payments into the Reserve Fund shall continue until such time as there is accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable from the Sinking Fund. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

A "Water Depreciation and Contingency Fund" (the "Contingency Fund") shall be established and maintained to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring monthly, on or before the 20th day of each month of each year, a sum at least equal to 5% of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid into the Sinking Fund.

A "Water Short-Lived Assets Depreciation Fund" (the "Short-Lived Assets Fund") shall be established and maintained to provide for the maintenance and replacement of short lived assets of the System, by transferring monthly, on or before the 20th day of each month of each year, a sum of \$5,106 until \$327,500 is on deposit.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

All required transfers were made for the year ended December 31, 2018.

(8) Pension Plan

The employer pension schedules for the Parochial Employees' Retirement System of Louisiana are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based is recognized in the period in which the employee is compensated for services performed. For purposes of measuring the net pension liability/asset, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan, and additions to/deduction 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.

Substantially all of the District's employees are covered under the Parochial Employees' Retirement System of Louisiana. Details concerning the plan are:

Plan Description: The Parochial Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically, and other general laws of the State of Louisiana.

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of the System.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the “regular plan” and the “supplemental plan”. 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. Employees of the District are members of Plan A.

The Parochial Employees’ Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the report can be found on the Louisiana Legislative Auditor’s website, www.la.la.gov.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to these appropriate statutes for more complete information.

Eligibility Requirements: All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

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

Survivor Benefits: Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

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

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

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

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

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

Employer Contributions: According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2016 was 12.5% for Plan A.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives 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. The District recognized \$6,654 of non-employer contributions.

Pension Liabilities/Assets, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the District reported an asset of \$66,430 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was .089499%, which was an increase of .019302% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of \$80,909.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 43,002
Change of assumptions	72,820	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	6,234	95
Net differences between projected and actual earnings on plan investments	-	153,473
Contributions subsequent to the measurement date	54,533	-
Total	\$ 133,587	\$ 196,570

Deferred outflows of resources of \$54,533 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

Year Ended December 31:	
2019	\$ 8,222
2020	(11,721)
2021	(53,190)
2022	<u>(60,827)</u>
	<u><u>\$ (117,516)</u></u>

Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

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

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

The discount rate used to measure the total pension liability was 6.75% for Plan A, which was a .25% decrease from the discount rate used as of December 31, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

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

The investment rate of return was 6.75% for Plan A, which was a .25% decrease from the rate used as of December 31, 2016. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

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

Asset Class	Target 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%

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

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability (Assets):	\$ 327,526	\$ (66,430)	\$(417,222)

(9) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended December 31, 2018.

Commissioner	Term expiration date	Compensation
Hubert Faulk, Chairman	October 15, 2022	\$ 3,600
Glenn Duhon	April 7, 2023	660
Norman Duhon	April 7, 2023	540
Danny Richard	March 5, 2023	540
Kendrick Trahan	April 4, 2020	600
		\$ 5,940

The Chairman of the Board of Commissioners is considered the agency head. The District did not pay any benefits on his behalf for the year ended December 31, 2018. In addition, the only payments he received were the compensation disclosed above.

(10) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year.

(11) Pending Litigation

The District is subject to various lawsuits and claims, many of which arise in the normal course of business. Although their outcome is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(12) Leases

The District has the following leases in effect for the year ended December 31, 2018:

- a. Lease of property to operate the main water plant in Maurice, Louisiana. The lease originated December 16, 1999, with an initial term of ten (10) years and was subject to a statutory extension of thirty one (31) years. The lease calls for an annual lease payment of \$300, due at the beginning of each year.
- b. Lease of property to operate the water system in Intracoastal City, Esther, and Forked Island (IEF), Louisiana. The lease was entered into August 14, 2001 with a term of forty (40) years. At the end of the period, there is an option to renew for an additional term of forty (40) years. The lease calls for monthly lease payments of \$400.
- c. Lease of property to operate the water system in Kaplan, Louisiana. The lease was entered into February 24, 2005. The first payment was due and payable at the time the District completed the closing procedures with USDA – Rural Development for the project which was in the 2011 fiscal year. The lease has an initial term of ten years and is subject to a statutory extension of thirty one (31) years. The lease calls for an annual lease payment of \$450.

Total lease payments made for the year ending December 31, 2018 was \$5,550.

The minimum future lease payments under this obligation are as follows:

2019	\$ 5,550
2020	5,550
2021	5,550
2022	5,550
2023	5,550
2024 - 2028	27,750
2029 - 2033	27,750
2034 - 2038	27,750
2039 - 2043	18,850
2044 - 2048	2,250
2049 - 2051	<u>1,350</u>
	<u>\$133,450</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(13) New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2019. The effect of implementation on the City's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Employer's Share of Net Pension Liability/Asset -
Parochial Employees' Retirement System
For the Year Ended December 31, 2018

* Year ended December 31,	Employer Proportion of the Net Pension Liability/ Asset	Employer Proportionate Share of the Net Pension Liability/ Asset	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/ Asset
2015	0.068290%	\$ 18,671	\$ 369,555	5.05%	99.15%
2016	0.070372%	\$ 185,239	\$ 403,482	45.91%	92.23%
2017	0.070197%	\$ 144,572	\$ 416,309	34.73%	94.15%
2018	0.089499%	\$ (66,430)	\$ 436,313	15.23%	101.98%

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

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Employer Contributions -
Parochial Employees' Retirement System
For the Year Ended December 31, 2018

Year ended December 31,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 58,505	\$ 58,505	\$ -	\$ 403,482	14.50%
2016	\$ 54,120	\$ 54,120	\$ -	\$ 416,309	13.00%
2017	\$ 54,539	\$ 54,539	\$ -	\$ 436,313	12.50%
2018	\$ 54,533	\$ 54,533	\$ -	\$ 474,205	11.50%

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Retirement System Schedules

(1) Pension Plan

Changes of benefit terms –

There were no changes of benefit terms

Changes of assumptions –

* Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.25%	7.25%	3.00%	4	5.75%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	7.00%	7.00%	2.50%	4	5.25%
2018	6.75%	6.75%	2.50%	4	5.25%

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

OTHER SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Number of Utility Customers
December 31, 2018

Records maintained by the Vermillion Parish Waterworks District No. 1 indicated the following number of customers were being serviced during the month of December, 2018:

Residential	7,155
Commercial	<u>239</u>
	<u>7,394</u>

The water rates of the District are as follows:

Residential rates:

\$16.00 per month for the first 2,000 gallons, then
\$ 4.40 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:

\$16.00 per month for the first 2,000 gallons, then
\$ 4.40 per 1,000 gallons or part thereof over 2,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Insurance in Force
December 31, 2018

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Employee Fidelity Bond	\$ 800,000	Employee theft	04/03/19
Commercial General Liability	\$ 1,000,000	Bodily injury and property damage/occurrence	12/14/19
	\$ 1,000,000	Personal and advertising injury limit/occurrence	
	\$ 1,000,000	Damage to rented premises/occurrence	
	\$ 1,000,000	Employee benefits liability/occurrence	
	\$ 3,000,000	Aggregate on each coverage above	
	\$ 10,000	Medical payments	
	\$ 1,000,000	Terrorism - aggregate	
Commercial Property	\$ 6,756,868	Blanket limit	12/14/19
	\$ 25,000	Fire hydrants throughout service area	
Commercial Auto Coverage	\$ 1,000,000	Liability	12/14/19
	\$ 1,000,000	Uninsured motorist	
	\$ 1,000,000	Hired and non-owned auto liability	
Workers Compensation	\$ 1,000,000	Bodily injury	12/14/19
Commercial Flood Coverage	\$ 500,000	Buildings	04/19/19
	\$ 145,200	Contents	
Crime Coverage	\$50,000-\$100,000	Various Theft	12/14/19
Wrongful Acts and Professional Liability	\$ 1,000,000	Per claim	12/14/19
	\$ 3,000,000	Aggregate	

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,098,924	\$ 2,678,126
Receivables, net of allowance for uncollectibles	309,053	345,424
Prepaid expenses	53,890	54,159
Total current assets	3,461,867	3,077,709
Restricted assets -		
Revenue bond and interest sinking account	73,504	73,504
Revenue bond reserve account	505,009	460,171
Revenue bond contingency account	488,171	443,359
Revenue bond short lived asset account	356,656	316,044
Customer deposits	73,500	70,700
Total restricted assets	1,496,840	1,363,778
Capital assets, net	25,456,902	26,309,819
Net pension benefit	66,430	-
Total assets	30,482,039	30,751,306
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	133,587	193,227

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Net Position (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 32,392	\$ 113,723
Accrued liabilities	12,519	49,302
Retainage payable	-	45,956
Other liabilities	50,951	49,003
Total current liabilities (payable from current assets)	95,862	257,984
Current liabilities (payable from restricted assets):		
Customer deposits	73,500	70,700
Accrued interest on bonds	31,413	31,814
Current portion of long term debt	294,501	282,882
Total current liabilities (payable from restricted assets)	399,414	385,396
Total current liabilities	495,276	643,380
Noncurrent liabilities:		
Revenue bonds payable	14,699,197	14,860,197
Net pension liability	-	144,572
Total noncurrent liabilities	14,699,197	15,004,769
Total liabilities	15,194,473	15,648,149
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	196,570	25,486
NET POSITION		
Net investment in capital assets	10,463,204	11,166,740
Restricted for debt service	1,391,927	1,261,264
Unrestricted	3,369,452	2,842,894
Total net position	\$15,224,583	\$15,270,898

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Charges for services -		
Water sales	\$ 2,756,637	\$ 2,686,042
Penalties	56,863	54,124
Reconnection fees	36,750	38,650
Meter fees	76,355	87,650
Other fees	1,340	1,060
Miscellaneous	4,924	4,885
Total operating revenues	2,932,869	2,872,411
Operating expenses:		
Salaries	481,237	443,196
Payroll taxes	6,246	5,759
Group and life insurance	102,595	94,903
Retirement	80,909	85,051
Insurance	76,928	71,616
Supplies	18,741	17,116
Telephone and utilities	110,087	102,737
Chemicals	124,965	119,841
Meter installation and reading	248,725	220,646
Depreciation	890,537	826,730
Professional fees	42,703	32,824
Maintenance and repairs	79,760	65,398
Automobile expense	18,344	18,252
Printing, postage and publications	60,734	55,381
Temporary services	27,710	22,593
Plant lease	5,550	5,550
Other	23,116	23,993
Total operating expenses	2,398,887	2,211,586
Operating income	533,982	660,825
Nonoperating revenues (expenses):		
Interest income	6,521	5,532
Gain on disposal of assets	4,500	6,100
Nonemployer pension contribution	6,654	5,185
Interest expense	(597,972)	(545,217)
Total nonoperating revenues (expenses)	(580,297)	(528,400)
Change in net position	(46,315)	132,425
Net position, beginning (restated)	15,270,898	15,138,473
Net position, ending	\$ 15,224,583	\$ 15,270,898

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
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Robert S. Carter, CPA*
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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*

The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Vermilion Parish Waterworks District No. 1 (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 12, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2018-001, which we consider to be a significant deficiency.

Compliance and Other Matters

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

Vermilion Parish Waterworks District No. 1's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 12, 2019

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions over cash collections and payroll.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District has provided as much segregation as possible with the resources available.

B. Compliance

There are no compliance findings to the report.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2018

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions over cash collections.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2018-001.

B. Compliance

There were no compliance findings to the report.

VERMILION PARISH
WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Agreed-Upon Procedures Report

Year Ended December 31, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the
Vermilion Parish Waterworks District No. 1,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Vermilion Parish Waterworks District No.1 (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

Board or Finance Committee

- 2. We obtained and inspected 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) We observed 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, we observed 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, we obtained the prior year audit report and we observed 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, we observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

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

Collections

4. We obtained 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 selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), we obtained and inspected 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 we observed 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. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). Alternately, we used 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. We obtained supporting documentation for each of the 10 deposits and:

- a) Observed that receipts are sequentially pre-numbered.
- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Traced the deposit slip total to the actual deposit per the bank statement.
- d) Observed 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) Traced the actual deposit per the bank statement to the general ledger.

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

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and we observed 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, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and we obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
 - a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. We obtained 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. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
 - a) Observed 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.
 - b) Observed 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, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and we obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

14. We obtained 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. We randomly selected 5 reimbursements, obtained 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, agreed 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, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. We obtained 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. We obtained management's representation that the listing is complete. We randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observed 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) Observed 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), observed that the original contract terms provided for such an amendment.
 - d) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
- a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulate leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

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

Debt Service

21. We obtained a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

Other

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed 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. We observed 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.

Findings:

In accordance with the Statewide Agreed-Upon Procedures, certain categories may be excluded from testing. Therefore, the following categories were not tested this year: Bank Reconciliations, Collections, Disbursements, Credit Cards/Debit Cards/Fuel Cards/P-Cards, Travel and Expense Reimbursement, Contracts, Payroll and Personnel, Ethics, Debt Service and Other.

No exceptions were found as a result of applying procedures listed above.

Management's Response:

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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 12, 2019