

TECHE-VERMILION FRESH WATER DISTRICT
FINANCIAL REPORT
DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Teche-Vermilion Fresh Water District ("the District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adopted Accounting Standard

As discussed in Note 1. to the financial statements, in 2022 the District adopted new accounting guidance regarding accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 5 through 8 and pages 42 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June XX, 2022, 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Brumfield". The signature is fluid and cursive, with a large initial "B" and a stylized "field" at the end.

Lafayette, Louisiana
June 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Teche-Vermilion Fresh Water District's financial performance provides an overview of Teche-Vermilion Fresh Water District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which begin on page 12.

I. FINANCIAL HIGHLIGHTS

Teche-Vermilion Fresh Water District's net position decreased by \$572,058 or 1.0% as a result of 2022's operations. The District's net position increased by \$1,235,749 or 2.3% as a result of 2021's operations.

Teche-Vermilion Fresh Water District's total revenues were \$4,054,281 in 2022, compared to \$4,806,479 in 2021, a decrease of \$752,198 or 15.6%. The District's total revenues were \$4,806,479 in 2021 compared \$5,762,708 in 2020, a decrease of \$956,229 or 16.6% during the prior year.

Total expenses for Teche-Vermilion Fresh Water District during the year ending December 31, 2022 were \$4,626,339 compared to \$3,570,730 in 2021, an increase of \$1,055,609 or 29.6%. The District's total expenses for the year ending December 31, 2021 were \$3,570,730 compared to \$3,068,291 in 2020, an increase of \$502,439 or 16.4% in the prior year.

II. USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The statement of net position and the statement of activities (pages 12 through 14) provide information about Teche-Vermilion Fresh Water District's activities as a whole and present a longer-term view of Teche-Vermilion Fresh Water District's finances. Fund financial statements start on page 16. These statements tell how the services were financed in the short-term as well as what remains for future spending.

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

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

Our analysis of Teche-Vermilion Fresh Water District as a whole begins on page 5. One of the most important questions asked about Teche Vermilion Fresh Water District's finances is, "Is Teche-Vermilion Fresh Water District, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about Teche-Vermilion Fresh Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

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

1. FUND FINANCIAL STATEMENTS

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

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

III. TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

Teche-Vermilion Fresh Water District's total net position decreased in the current year from \$55,446,423 to \$54,874,365. The following reflects the condensed statement of net position as of December 31, 2022, with comparative figures from 2021:

TABLE I
CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
Assets:		
Current assets	\$ 39,216,312	\$ 40,166,829
Capital assets	17,284,758	17,186,618
Other assets	520,385	212,084
Deferred outflows of resources	<u>561,303</u>	<u>716,931</u>
Total assets and deferred outflows of resources	<u>\$ 57,582,758</u>	<u>\$ 58,282,462</u>
Liabilities:		
Current liabilities	\$ 176,393	\$ 232,253
Long-term liabilities	<u>1,128,806</u>	<u>1,956,810</u>
Total liabilities	<u>\$ 1,305,199</u>	<u>\$ 2,189,063</u>
Deferred inflows of resources	<u>\$ 1,403,194</u>	<u>\$ 646,976</u>
Net position:		
Net investment in capital assets	\$ 17,284,758	\$ 17,186,618
Unrestricted	<u>37,589,607</u>	<u>38,259,805</u>
Total net position	<u>\$ 54,874,365</u>	<u>\$ 55,446,423</u>
Total liabilities, deferred inflows and net position	<u>\$ 57,582,758</u>	<u>\$ 58,282,462</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

The net position of Teche-Vermilion Fresh Water District's governmental activities decreased from operations by \$572,058 or 1.0% in 2022. The net position of the District's governmental activities increased from operations by \$1,235,749 or 2.3% in 2021. Unrestricted net assets, the part of net position that can be used to finance Teche-Vermilion Fresh Water District expenses without constraints or other legal requirements, decreased \$606,392 or 1.6% in 2022. Unrestricted net assets increased \$1,153,365 or 3.1% in 2021.

The following table provides a summary of the changes in net position for the year ended December 31, 2022, with comparative figures from 2021:

TABLE II
CONDENSED STATEMENT OF CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
General revenues –		
Ad valorem taxes	\$ 5,386,278	\$ 4,943,935
Grants and contributions	127,847	127,783
Investment earnings (loss)	(1,475,354)	(278,792)
Other	<u>15,510</u>	<u>13,553</u>
Total revenues	<u>\$ 4,054,281</u>	<u>\$ 4,806,479</u>
Expenses:		
General government	<u>\$ 4,626,339</u>	<u>\$ 3,570,730</u>
Increase (decrease) in net position	<u>\$ (572,058)</u>	<u>\$ 1,235,749</u>

During the fiscal year ended December 31, 2022, property tax revenue increased by \$442,343 or approximately 8.9%; investment earnings decreased by \$1,196,562 or approximately 429.2% due to higher mark to market losses in 2022. Other revenues increased by \$1,957 or approximately 2.9%. Expenses increased by \$1,055,609 or approximately 29.6%. During the fiscal year ended December 31, 2021, property tax revenue decreased by \$9,862 or approximately 0.2%; investment earnings decreased by \$945,572 or approximately 141.8% primarily due to mark to market losses in 2021, and other revenues decreased by \$406 or approximately 2.9%. Expenses decreased by \$502,439 or approximately 16.4%.

IV. GENERAL FUND BUDGETARY HIGHLIGHTS

The Teche-Vermilion Fresh Water District's budget had no revisions during the 2022 and 2021 fiscal years. Actual revenues were more than budgeted revenues by \$98,462 and actual expenditures were \$3,445,942 less than budgeted expenditures during 2022.

The net change in fund balance (budgetary basis) for the year ended December 31, 2022 of \$493,880 was \$3,625,559 over the anticipated (budgeted) amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

V. CAPITAL ASSETS

At the end of 2022, Teche-Vermilion Fresh Water District had \$17,284,758 invested in capital assets. This amount represents a net increase of 98,140 or 0.6% from 2021. This increase was due primarily to new additions partially offset by depreciation expense during 2022. At the end of 2021, Teche-Vermilion Fresh Water District had \$17,186,618 invested in capital assets. This amount represented a net increase of \$82,384 or 0.5% from 2020.

VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor considered when preparing the fiscal 2023 budget was the ad valorem tax revenue. The ad valorem tax is expected to produce \$4,780,000 or approximately 87.7% of the total budgeted revenues. Interest earnings are budgeted at \$550,100 or approximately 10.09% of the total budgeted revenues. Total expenses have been fairly constant over the years. Accordingly, the 2023 budget was prepared based on 2022 results.

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

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF NET POSITION
December 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash	\$ 3,403,509
Investments	28,980,343
Receivables:	
Ad valorem taxes	4,299,368
State revenue sharing	85,162
Accrued interest	124,971
Inventory	<u>2,322,959</u>
 Total current assets	 <u>\$ 39,216,312</u>

CAPITAL ASSETS

Non-depreciable	\$ 944,124
Depreciable, net	<u>16,340,634</u>
 Total capital assets	 <u>\$ 17,284,758</u>

OTHER ASSETS

Unfunded net pension asset	<u>\$ 520,385</u>
 Total assets	 <u>\$ 57,021,455</u>

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension plan	\$ 150,600
Other post employment benefits	<u>410,703</u>
 Total deferred outflows of resources	 <u>\$ 561,303</u>

Total assets and deferred outflows of resources	<u>\$ 57,582,758</u>
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See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 101,344
Retainage payable	10,865
Accrued liabilities	7,333
Lease liabilities – current	26,748
Accrued annual leave, current portion due	<u>30,103</u>
Total current liabilities	<u>\$ 176,393</u>

LONG-TERM LIABILITIES

Accrued annual leave, net of current portion due	\$ 79,952
Lease liabilities – long term	37,058
OPEB obligation	<u>1,011,796</u>
Total long-term liabilities	<u>\$ 1,128,806</u>
Total liabilities	<u>\$ 1,305,199</u>

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension plan	\$ 502,177
Other post employment benefits	<u>901,017</u>
Total deferred inflows of resources	<u>\$ 1,403,194</u>

NET POSITION

Net investment in capital assets	\$ 17,220,952
Unrestricted	<u>37,653,413</u>
Total net position	<u>\$ 54,874,365</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 57,582,758</u>

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

Expenses:

Governmental activities – fresh water supply –

General government:

Personnel services	\$ 791,194
Utilities	927,632
Other services and charges	2,136,508
Depreciation	<u>771,005</u>

Total government activities	<u>\$ 4,626,339</u>
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General revenues:

Ad valorem taxes	\$ 5,386,278
State revenue sharing	127,847
Investment loss	(1,475,354)
Miscellaneous revenue	<u>15,510</u>

Total general revenues	<u>\$ 4,054,281</u>
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Change in net position	\$ (572,058)
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Net position, beginning of the year	<u>55,446,423</u>
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Net position, end of the year	<u>\$ 54,874,365</u>
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See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2022

ASSETS

Cash	\$ 3,403,509
Investments	28,980,343
Receivables:	
Ad valorem taxes	4,299,368
State revenue sharing	85,162
Accrued interest	124,971
Inventory	<u>2,322,959</u>
 Total assets	 <u><u>\$ 39,216,312</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 101,344
Retainage payable	10,865
Accrued liabilities	<u>7,333</u>
 Total liabilities	 <u><u>\$ 119,542</u></u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue – ad valorem taxes	<u>\$ 5,488,005</u>
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Fund balances:

Nonspendable –	
Inventory	\$ 2,322,959
Assigned to –	
Replacement of equipment	30,325,806
Operation and maintenance	500,000
Contingencies	300,000
Insurance deductible	<u>160,000</u>
 Total fund balances	 <u><u>\$ 33,608,765</u></u>

Total liabilities, deferred inflows of
resources and fund balance

\$ 39,216,312

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
December 31, 2022

Total fund balance – governmental fund	\$ 33,608,765
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	17,284,758
Taxes and state revenue sharing revenues will be collected after year end; but, they are not considered available soon enough to pay for the current period expenditures; therefore, they are reported as deferred inflows in the fund financial statements.	5,488,005
Long-term assets applicable to the District's governmental activities are not considered available soon enough and accordingly are not reported as fund assets. All such assets are reported in the statement of net position. Balances at December 31 are:	
Net pension asset	520,385
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31 are:	
Compensated absences	(110,055)
Lease obligation	(63,806)
OPEB obligation	(1,011,796)
Deferred outflows and inflows of resources related to pensions and applicable to future periods and therefore are not reported in the funds:	
Pension contributions subsequent to plan measurement date	90,024
Difference between actual and projected earnings on plan assets	(418,683)
Changes in proportion and differences between employer contributions and proportionate share of contributions	(12,341)
Changes in assumptions	27,139
Difference between actual and expected experience	(37,716)
Deferred outflows and inflows of resources related to other post employment benefits and applicable to future periods and therefore are not reported in the funds:	(490,314)
Total net position of governmental activities	<u>\$ 54,874,365</u>
See Notes to Financial Statements.	

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2022

Revenues:

Taxes – ad valorem	\$ 4,949,915
Intergovernmental	127,792
Investment losses	(1,475,354)
Miscellaneous	<u>15,510</u>

Total revenues	<u>\$ 3,617,863</u>
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Expenditures:

Current –	
General government	\$ 4,112,485
Debt service	27,948
Capital outlays	<u>860,804</u>

Total expenditures	<u>\$ 5,001,237</u>
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Excess of expenditures over revenues	\$ (1,383,374)
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Other financing sources (uses):

Leases	<u>81,155</u>
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Net change in fund balance	(1,302,219)
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Fund balance, beginning	<u>34,910,984</u>
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Fund balance, ending	<u>\$ 33,608,765</u>
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See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

Net change in fund balance – governmental fund	\$ (1,302,219)
The change in net position reported for governmental activities in the statement of activities is different because:	
The governmental fund reports capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Depreciation and amortization expense	(771,005)
Capital outlays	860,804
Taxes and state revenue sharing revenues recognized in the fund financial statements in the current year are recognized as revenue in the prior year statement of activities.	436,418
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, they are not reported as expenditures in the governmental fund. The adjustment relates to the adjustment for accrued compensated absences in the current period	(20,953)
Debt services principal payments are reported as an expenditure in fund financial statements, however they are reflected as a reduction of the related lease liability within the government wide financial statements.	25,689
Other financing sources (leases) are considered revenue within the fund however, they are reported as a liability within the government wide financial statements	(81,155)
The effect of net pension liability, deferred outflow of resources and deferred inflows of resources related to the changes in the net pension obligation:	
Employer contributions made after the measurement date of the net pension liability	90,024
Costs of benefits earned net of required contributions	99,847
Net other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>90,492</u>
Change in net position of governmental activities	<u><u>\$ (572,058)</u></u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Reporting entity:

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

Primary government:

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

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

Basis of presentation:

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

NOTES TO FINANCIAL STATEMENTS

Government-wide financial statements –

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

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

The government-wide statement of activities reports both the gross and net cost of the District. The District is supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District has no program revenues for the year ended December 31, 2022.

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

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

Fund financial statements –

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

Basis of accounting:

Government-wide financial statements –

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

Fund financial statements –

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

NOTES TO FINANCIAL STATEMENTS

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

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

Use of estimates:

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

Investments:

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

Fair value measurement:

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

Level 1 – investments reflect prices quoted in active markets

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

Level 3 – investments reflect prices based upon unobservable sources

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

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

Inventory:

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

Fixed assets:

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

NOTES TO FINANCIAL STATEMENTS

Government-wide statements –

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

	<u>Years</u>
Water control structures	5 – 67
Buildings and improvements	5 – 25
Equipment	5 – 20
Right to use leased assets	Shorter of leased assets, useful life or lease term

Fund financial statements –

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

Compensated absences:

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

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

Pensions:

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

Lease liabilities:

A lease is defined as a contractual agreement that conveys control of the right to use another's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange like

NOTES TO FINANCIAL STATEMENTS

transaction. The District leases certain office space for use in operations. The related lease liability is presented in the amount equal to the present value of lease payments, payable during the remaining lease term. A lease liability, as discussed in Note 4. and the associated right to use lease asset, as discussed in Note 6. Are recognized within the government wide financial statements.

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

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

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The District is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The District recorded no impairment losses during the year ended December 31, 2022.

Net position flow assumption:

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

Fund balance flow assumption:

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

NOTES TO FINANCIAL STATEMENTS

Equity classifications:

Government-wide statements –

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

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

Fund statements –

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

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

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

NOTES TO FINANCIAL STATEMENTS

Adopted accounting standards:

GASB Statement No. 87, "Leases" establishes a single model for lease accounting based on the foundational principle that leases are financings of right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for reporting periods beginning after June 15, 2021. The adoption of this standard had no effect on net position as previously stated, however it did effect capital assets and long-term liabilities due to implementation as stated in Notes 4 and 6.

Note 2. Deposits and Investments

Deposits:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure that there is no exposure to this risk is to require the financial institutions to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. At December 31, 2022, the carrying amount of the District's demand deposits held with local banks was \$1,042,848 and the bank balance was \$1,122,464. Of the bank balance, \$250,000 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

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

Investments:

As of December 31, 2022, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than One Year</u>	<u>One To Five Years</u>	<u>Five To Ten Years</u>	<u>More Than Ten Years</u>
U.S. Government					
Agency Obligations	\$ 694,092	\$ 694,092	\$ -	\$ -	\$ -
U.S. Treasury Notes	28,190,889	2,479,058	24,600,556	1,111,275	-
Mortgage Backed Securities	<u>95,362</u>	<u>1,099</u>	<u>29,698</u>	<u>-</u>	<u>64,565</u>
	<u>\$28,980,343</u>	<u>\$3,174,249</u>	<u>\$24,630,254</u>	<u>\$ 1,111,275</u>	<u>\$ 64,565</u>

As of December 31, 2022, the District had \$2,360,561 invested in money market funds which is included in cash on balance sheet – governmental fund and the statement of net position. This money market fund did not have a credit quality rating as of December 31, 2022.

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy for custodial credit risk as it relates to investments. All investments including investments in money market funds are held in an investment management account in the District's name. These investments are not covered by FDIC insurance or collateralized by pledged securities.

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

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

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

Credit Risk/Concentration of Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the types of investments noted in the previous paragraph. In addition, the District's investment policy limits individual issues to 10% of the portfolio; with the exception of U.S. Treasuries, where credit risk is recognized as minimal. As of December 31, 2022, all of the District's investments were in U.S. Treasuries, U.S. Government Agency and mortgage backed securities. All of the District's investments are fixed income securities.

Note 3. Ad Valorem Taxes

Fund financial statements -

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

NOTES TO FINANCIAL STATEMENTS

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

In 2000, a 10 year tax renewal in the amount of 1.5 mills was approved by the voters of Iberia, Lafayette, St. Martin, and Vermilion parishes. The tax is for the purpose of constructing, establishing, extending, maintaining, operating and protecting a fresh water supply and abating pollution in Bayou Teche and the Vermilion River within the District. On March 27, 2010, the District's 1.5 mill tax was renewed by voters. That renewal was to expire in the year 2020. In May 2019, the 1.5 mills was renewed for another 10 years and will expire in the year 2030. The Board of Commissioners established an assessment of 1.41 mills in 2022.

Government-wide financial statements –

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

Note 4. Long-Term Liabilities

The District's long-term liabilities consists of accrued annual leave, lease liabilities and other post-employment benefit obligation at December 31, 2022. The following is a summary of changes in long-term liabilities for the year ended December 31, 2022:

	Beginning Balance as previously stated	Effect of GASB 87 Implementation	Beginning Balance as restated
Accrued compensated absences	\$ 89,102	\$ -	\$ 89,102
Lease obligations	-	8,340	8,340
OPEB obligation	<u>1,895,702</u>	<u>-</u>	<u>1,895,702</u>
	<u>\$ 1,984,804</u>	<u>\$ 8,340</u>	<u>\$ 1,993,144</u>

	Balance restated 01/01/2022	Additions	Reductions	Balance 12/31/2022	Due within one year
Accrued compensated absences	\$ 89,102	\$ 20,953	\$ -	\$ 110,055	\$ 30,103
Lease obligations	8,340	81,155	(25,689)	63,806	26,748
OPEB obligation	<u>1,895,702</u>	<u>-</u>	<u>(883,906)</u>	<u>1,011,796</u>	<u>-</u>
	<u>\$ 1,993,144</u>	<u>\$ 102,108</u>	<u>\$ (909,595)</u>	<u>\$ 1,185,657</u>	<u>\$ 56,851</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan

General information about the Plan:

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

Benefits provided:

Retirement

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees, who were hired prior to January 1, 2007, and who retire at or after age 65 with at least 7 years of creditable service, at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. For employees hired after January 1, 2007 and who retire at age 55 with at least 30 years of creditable service, at age 62 with 10 years of creditable service or at age 67 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. As of December 31, 2022, the District had 11 active plan members.

Survivor benefits

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

Deferred retirement option plan

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

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

NOTES TO FINANCIAL STATEMENTS

Disability benefits

For Plan A, a member may be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has a least five years of creditable service or if hired after January 1, 2007 has seven years of creditable service, and is not eligible for normal retirement and has been certified as disabled by the State Medical Disability Board. Disability benefits are equal to the lesser of 3% of the final average compensation multiplied by the years of service, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60 for those members who are enrolled prior to January 1, 2017 and to age 62 for those members who are enrolled January 1, 2007 and later.

Contributions:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the plan year ended December 31, 2021, the actuarially determined contribution rate was 10.38% of the member's compensation for Plan A. However, the actual rate was 11.50% of annual covered payroll for Plan A. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A, exclusive of employee portion, for the year ending December 31, 2022, was \$90,024, equal to the required contributions for the year of 11.50% of covered member compensation.

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

At December 31, 2022, the District reported an asset of \$520,385 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021 and the total pension liability 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 required projected share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2021, the District's proportion was .110475%, which was a decrease of .0105% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized pension expense of \$(99,947) in the government wide financial statements and \$90,024 in the fund financial statements. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Deferred resources:		
Differences between expected and actual experience	\$ 31,441	\$ 37,716
Changes in assumptions	27,139	-
Net difference between projected and actual earnings on pension plan investments	-	450,124
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,996	14,337
Contributions subsequent to measurement date	<u>90,024</u>	<u>-</u>
Ending balance	<u>\$ 150,600</u>	<u>\$ 502,177</u>

NOTES TO FINANCIAL STATEMENTS

The District reported \$90,024 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability next year. 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 <u>December 31</u>	
2023	\$ (88,960)
2024	(183,216)
2025	(121,199)
2026	(48,226)
2027	-
Thereafter	<u>-</u>
	<u><u>\$(441,601)</u></u>

Actuarial methods and assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	4.75% (including inflation)
Investment rate of return	6.40% (net of investment expense)
Actuarial cost method	Entry age normal
Expected remaining service lives	4 years

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of the study, mortality for employees was set to equal the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

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

The discount rate used to measure the total pension liability was 6.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on

NOTES TO FINANCIAL STATEMENTS

pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The long-term rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block approach (bottom-up). Risk and return correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.10% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.00% for the plan year ended December 31, 2021.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2021 are summarized in the following table:

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Asset class:		
Fixed income	33%	0.85%
Equity	51%	3.23%
Alternatives	14%	0.71%
Real assets	<u>2%</u>	<u>0.11%</u>
	<u>100%</u>	4.90%
Inflation		<u>2.10%</u>
Expected arithmetic nominal return		<u>7.00%</u>

Sensitivity to changes in discount rate

The following presents the net pension liability of the District calculated using the discount rate of 6.40% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.40% or one percentage point higher 7.40% that the current rate.

	<u>1% Decrease 5.40%</u>	<u>Current Discount Rate 6.40%</u>	<u>1% Increase 7.40%</u>
Employer's proportionate share of the net pension liability (asset)	\$ 92,775	\$ (520,385)	\$ (1,034,019)

As of December 31, 2022, the District had no amounts payable to the plan for employer and employee shares of required contributions.

NOTES TO FINANCIAL STATEMENTS

Detailed information about the pension plan's fiduciary net position is available in audited stand-alone issued financial statements for the plan year ended December 31, 2021. Access to the audit report and financials can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Note 6. Capital Assets

As a result of the implementation of GASB 87, the capital asset balances as of January 1, 2022 were restated as follows:

	Beginning Balance as previously <u>stated</u>	Effect of GASB 87 <u>Implementation</u>	Beginning Balance as restated <u></u>
Governmental activities:			
Capital assets not being depreciated –			
Construction in progress	\$ 792,776	\$ -	\$ 792,776
Land	<u>807,743</u>	<u>-</u>	<u>807,743</u>
Total capital assets not being depreciated	<u>\$ 1,600,519</u>	<u>\$ -</u>	<u>\$ 1,600,519</u>
Capital assets being depreciated –			
Water control structure	\$ 37,662,645	\$ -	\$ 37,662,645
Buildings and improvements	672,947	-	672,947
Leased office building	-	8,340	8,340
Equipment	<u>1,366,331</u>	<u>-</u>	<u>1,366,331</u>
Total capital assets being depreciated	<u>\$ 39,701,923</u>	<u>\$ 8,340</u>	<u>\$ 39,710,263</u>
Less accumulated depreciation for -			
Water control structure	\$(22,891,150)	\$ -	\$(22,891,150)
Buildings and improvements	(418,243)	-	(418,243)
Leased office building	-	-	-
Equipment	<u>(806,436)</u>	<u>-</u>	<u>(806,436)</u>
Total accumulated depreciation	<u>\$(24,115,829)</u>	<u>\$ -</u>	<u>\$(24,115,829)</u>
Total capital assets being depreciated, net	<u>\$ 15,586,094</u>	<u>\$ 8,340</u>	<u>\$ 15,594,434</u>
Governmental activities capital assets, net	<u>\$ 17,186,613</u>	<u>\$ 8,340</u>	<u>\$ 17,194,953</u>

NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning Balance <u>as restated</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Governmental activities:				
Capital assets not being depreciated –				
Construction in progress	\$ 792,776	\$ 116,066	\$ (772,461)	\$ 136,381
Land	<u>807,743</u>	<u>-</u>	<u>-</u>	<u>807,743</u>
Total capital assets not being depreciated	<u>\$ 1,600,519</u>	<u>\$ 116,066</u>	<u>\$ (772,461)</u>	<u>\$ 944,124</u>
Capital assets being depreciated –				
Water control structure	\$ 37,662,645	\$ 483,389	\$ -	\$ 38,146,034
Buildings and improvements	672,947	879,353	-	1,552,300
Lease office building	8,340	81,155	(8,340)	81,155
Equipment	<u>1,366,331</u>	<u>73,308</u>	<u>-</u>	<u>1,439,639</u>
Total capital assets being depreciated	<u>\$ 39,710,263</u>	<u>\$ 1,517,205</u>	<u>\$ (8,340)</u>	<u>\$ 41,219,128</u>
Less accumulated depreciation for -				
Water control structure	\$(22,891,150)	\$ (617,492)	\$ -	\$(23,508,642)
Buildings and improvements	(418,243)	(26,845)	-	(445,088)
Leased office building	-	(26,374)	8,340	(18,034)
Equipment	<u>(806,436)</u>	<u>(100,294)</u>	<u>-</u>	<u>(906,730)</u>
Total accumulated depreciation	<u>\$(24,115,829)</u>	<u>\$ (771,005)</u>	<u>\$ 8,340</u>	<u>\$(24,878,494)</u>
Total capital assets being depreciated, net	<u>\$ 15,594,434</u>	<u>\$ 746,200</u>	<u>\$ -</u>	<u>\$ 16,340,634</u>
Governmental activities capital assets, net	<u>\$ 17,194,953</u>	<u>\$ 862,266</u>	<u>\$ (772,461)</u>	<u>\$ 17,284,758</u>

Depreciation expense for the year ended December 31, 2022 was charged as follows:

General government	<u>\$ 771,005</u>
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NOTES TO FINANCIAL STATEMENTS

Note 7. Board Members Compensation

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

	<u>Number</u>	<u>Amount</u>
Donald Segura	15	\$ 1,125
Edward Sonnier	15	1,125
Ralph Libersat	14	1,050
Tommy Thibodeaux	14	<u>1,050</u>
Total		<u>\$ 4,350</u>

Note 8. Assigned Fund Balance

The District and the United States Corps of Engineers entered into an agreement of local cooperation for the construction of improvements to supplement water supply in the Teche-Vermilion Basins. This agreement requires the District to maintain and operate all works after initial completion of the Project, including major replacements as necessary. The Board of Commissioners, by resolution and on recommendation of the Corps of Engineers, has assigned \$30,325,806 to provide the necessary funds for anticipated major replacements. In addition, the District has assigned \$160,000 of the fund balance for insurance deductibles, \$500,000 for future operation and maintenance and \$300,000 for contingencies of the District.

Note 9. Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan description - The Teche-Vermilion Fresh Water District's (the Water District) provides certain continuing health care and life insurance benefits through the Louisiana Office of Group Benefits (OGB) for its retired employees. The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an *agent multiple-employer plan* for financial reporting purposes. The valuation measuring the amounts in the financial statements has been performed using the standard OGB rate structure.

Medical and life insurance benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Employees are covered by Plan A of 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 or 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.

Life insurance coverage is provided to retirees and 50% of the blended rate (active and retired) is paid by the employer. The amount of insurance coverage while active is continued after retirement, but insurance coverage amounts are reduced by 50% at retirement as well as to 50% of the original amount at age 70.

NOTES TO FINANCIAL STATEMENTS

Employees covered by benefit terms – At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>12</u>
	<u>18</u>

Total OPEB Liability

The Water District's total OPEB liability of \$1,011,796 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary increases, including inflation	4.75% including inflation
Discount rate	2.06% annually (beginning of Year to determine ADC)
Healthcare cost trend rates	3.72% annually (as of end of year measurement date)
Healthcare cost trend rates	Getzen model
Mortality	PubG.H-2010

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2022, the end of the applicable measurement period.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2022.

Changes in the Total OPEB Liability

Balance at December 31, 2021	<u>\$ 1,895,702</u>
Changes of the year:	
Service cost	\$ 52,350
Interest	39,599
Differences between expected and actual experience	(14,942)
Changes in assumptions	(909,095)
Benefit payments and net transfers	<u>(51,818)</u>
Net changes	<u>\$ (883,906)</u>
Balance at December 31, 2022	<u>\$ 1,011,796</u>

NOTES TO FINANCIAL STATEMENTS

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 (1.06%) or 1-percentage-point higher (3.06%) than the current discount rate:

	1% Decrease <u>(1.06%)</u>	Current Discount Rate (2.06%)	1% Increase <u>(3.06%)</u>
Total OPEB liability	\$ <u>1,153,009</u>	\$ <u>1,011,796</u>	\$ <u>896,116</u>

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% Decrease <u>(4.5%)</u>	Current Trend <u>(5.5%)</u>	1% Increase <u>(6.5%)</u>
Total OPEB liability	\$ <u>893,720</u>	\$ <u>1,011,796</u>	\$ <u>1,161,640</u>

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

For the year ended December 31, 2022, the Water District recognized OPEB expense of \$(26,552). December 31, 2022, the Water District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,116	\$ (132,877)
Changes in assumptions	<u>367,587</u>	<u>(768,140)</u>
Total	<u>\$ 410,703</u>	<u>\$ (901,017)</u>

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

Years ending December 31:

2023	\$ (130,576)
2024	(130,576)
2025	(130,576)
2026	(130,577)
2027	31,991
Thereafter	<u>-</u>
	<u>\$ (490,314)</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Leases

The District has entered into a lease for office space as the lessee. Beginning with year 2022, leases are presented in the financial statements and accompanying footnotes in accordance with GASB 87. GASB 87 requires that leases be categorized as either short term (12 months or less in length, including options) or long-term. In determining the future minimum lease payments the District includes the right to extend option terms in the non-cancelable lease term. Short-term lease financial transactions are reflected in the government wide statement of activities and in the fund statement of revenues, expenditures and changes in fund balance.

The following is a schedule of future minimum lease payments for lease liabilities as of December 31, 2022:

	<u>Governmental activities</u>	
Years ending December 31:	<u>Principal</u>	<u>Interest</u>
2023	\$ 26,748	\$ 1,620
2024	27,641	727
2025	<u>9,417</u>	<u>39</u>
	<u>\$ 63,806</u>	<u>\$ 2,386</u>

Right to use lease assets relate solely to the office lease above and are included in capital assets within the statement of net position.

Note 11. Risk Management

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

Note 12. Commitments and Contingencies

As of December 31, 2022, the District had commitments under open construction contracts in the amount of \$29,416.

NOTES TO FINANCIAL STATEMENTS

Note 13. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of December 31, 2022:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Market for Identical Assets/Liabilities Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
U.S. Government Agency Obligations	\$ 694,092	\$ -	\$ 694,092	\$ -
U.S. Treasury Notes	28,190,889	28,190,889	-	-
Mortgage Backed Securities	<u>95,362</u>	<u>-</u>	<u>95,362</u>	<u>-</u>
Investments	<u>\$ 28,980,343</u>	<u>\$28,190,889</u>	<u>\$ 789,454</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem taxes	\$ 4,770,000	\$ 4,770,000	\$ 4,949,915	\$ 179,915
Intergovernmental revenues -				
State revenue sharing	103,000	103,000	127,792	24,792
Realized investment income	430,500	430,500	320,745	(109,755)
Miscellaneous revenues	12,000	12,000	15,510	3,510
Total revenues	<u>\$ 5,315,500</u>	<u>\$ 5,315,500</u>	<u>\$ 5,413,962</u>	<u>\$ 98,462</u>
Expenditures:				
Current -				
General government:				
Personnel services -				
Salaries	\$ 817,714	\$ 817,714	\$ 782,778	\$ 34,936
Group insurance	176,000	176,000	166,489	9,511
Retirement	96,000	96,000	90,023	5,977
Payroll taxes	12,000	12,000	11,314	686
	<u>\$ 1,101,714</u>	<u>\$ 1,101,714</u>	<u>\$ 1,050,604</u>	<u>\$ 51,110</u>
Utilities	<u>\$ 1,210,400</u>	<u>\$ 1,210,400</u>	<u>\$ 927,632</u>	<u>\$ 282,768</u>
Other services and charges -				
Advertising and promotion	\$ 128,000	\$ 128,000	\$ 100,414	\$ 27,586
Assessors' retirement	190,000	190,000	176,418	13,582
Compensation - board members	5,400	5,400	4,350	1,050
Dues	10,500	10,500	9,117	1,383
Fuel, oil and lubricants	35,000	35,000	65,420	(30,420)
Insurance	105,000	105,000	166,909	(61,909)
Maintenance contracts	2,200	2,200	1,488	712
Miscellaneous	26,000	26,000	25,798	202
Office supplies	45,600	45,600	30,657	14,943

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Other services and charges – (continued)				
Operating supplies	50,450	50,450	28,640	21,810
Professional services	539,000	539,000	313,350	225,650
Rent	50,000	50,000	1,573	48,427
Repairs and maintenance	879,500	879,500	1,151,175	(271,675)
Telephone	33,000	33,000	25,218	7,782
Travel	53,000	53,000	33,722	19,278
	<u>\$ 2,152,650</u>	<u>\$ 2,152,650</u>	<u>\$ 2,134,249</u>	<u>\$ 18,401</u>
Total general government	<u>\$ 4,464,764</u>	<u>\$ 4,464,764</u>	<u>\$ 4,112,485</u>	<u>\$ 352,279</u>
Debt service:				
Principal	\$ -	\$ -	\$ 25,689	\$ (25,689)
Interest	-	-	2,259	(2,259)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,948</u>	<u>\$ (27,948)</u>
Capital outlay:				
Office equipment	\$ 80,000	\$ 80,000	\$ 67,492	\$ 12,508
Operation and maintenance - equipment	200,000	200,000	570,190	(370,190)
Leased assets	-	-	81,155	(81,155)
Improvements	3,702,415	3,702,415	141,967	3,560,448
Total capital outlay	<u>\$ 3,982,415</u>	<u>\$ 3,982,415</u>	<u>\$ 860,804</u>	<u>\$ 3,121,611</u>
Total expenditures	<u>\$ 8,447,179</u>	<u>\$ 8,447,179</u>	<u>\$ 5,001,237</u>	<u>\$ 3,445,942</u>
Excess (deficiency) of revenues over expenditures	\$ (3,131,679)	\$ (3,131,679)	\$ 412,725	\$ 3,544,404
Other financing sources (uses)				
Leases	\$ -	\$ -	\$ 81,155	\$ 81,155
Net change in fund balance	<u>\$ (3,131,679)</u>	<u>\$ (3,131,679)</u>	<u>\$ 493,880</u>	<u>\$ 3,625,559</u>
Budgetary fund balance, beginning	<u>35,212,704</u>	<u>35,212,704</u>	<u>35,212,704</u>	<u>-</u>
Budgetary fund balance, ending	<u>\$ 32,081,025</u>	<u>\$ 32,081,025</u>	<u>\$ 35,706,584</u>	<u>\$ 3,625,559</u>

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

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULE
(Required Supplementary Information)

Note 1. Budgets and Budgetary Accounting

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

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

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

Note 2. Differences GAAP Actuals Versus Budgetary Basis Actuals

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

Investment income recognized under budgetary basis	\$ 320,745
Unrealized losses during the year	<u>(1,796,099)</u>
Investment loss recognized under generally accepted accounting principles	<u>\$ (1,475,354)</u>
Budgetary fund balance, year ending	\$ 35,706,584
Unrealized loss position on investments at year end	<u>(2,097,819)</u>
Fund balance, actual at year end	<u>\$ 33,608,765</u>

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
(Required Supplementary Information)
Years Ended December 30, 2022, 2021, 2020, 2019 and 2018

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB expenses:					
Service costs	\$ 52,350	\$ 64,305	\$ 84,977	\$ 50,228	\$ 59,266
Interest	39,599	39,873	42,352	48,588	43,274
Differences between expected and actual experience	(14,942)	(24,374)	(140,928)	86,236	(34,829)
Changes in assumptions	(909,095)	16,396	405,613	204,736	(91,949)
Benefit payments and net transfers	<u>(51,818)</u>	<u>(49,144)</u>	<u>(46,582)</u>	<u>(46,540)</u>	<u>(44,114)</u>
Net change in total OPEB liability	\$ (883,906)	\$ 47,056	\$ 345,432	\$ 343,248	\$ (68,352)
Total OPEB liability – beginning	<u>\$1,895,702</u>	<u>\$1,848,646</u>	<u>\$1,503,214</u>	<u>\$1,159,966</u>	<u>\$1,228,318</u>
Total OPEB liability – ending	<u>\$1,011,796</u>	<u>\$1,895,702</u>	<u>\$1,848,646</u>	<u>\$1,503,214</u>	<u>\$1,159,966</u>
Covered employee payroll	<u>\$ 626,812</u>	<u>\$ 769,960</u>	<u>\$ 747,534</u>	<u>\$ 753,437</u>	<u>\$ 731,492</u>
Net OPEB liability as a percentage of covered employee payroll	161.42%	246.21%	247.30%	199.51%	158.58%

NOTES TO SCHEDULE

Note 1. <i>Benefit changes:</i>	None	None	None	None	None
Note 2. <i>Changes of assumptions:</i> Discount Rate:	3.72%	2.06%	2.12%	2.74%	4.10%
Mortality:	PubG.H-2010	RP-2014	RP-2014	RP-2000	RP-2000
Trend:	Get zen Model	4.5% to 5.5%	4.5% to 5.5%	5.5%	5.5%

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

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
(Required Supplementary Information)

For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

<u>Fiscal Year*</u>	<u>District's proportion of the net pension liability(asset)</u>	<u>District's proportionate share of the net pension liability(asset)</u>	<u>District's covered payroll</u>	<u>District's proportionate share of the net pension liability(asset) as a percentage of its covered payroll</u>	<u>Plan Fiduciary net position as a percentage of the total pension liability</u>
2015	0.122080%	\$ 33,378	\$ 746,955	4.47%	99.15%
2016	0.125870%	\$ 331,313	\$ 719,330	46.06%	92.23%
2017	0.116140%	\$ 239,188	\$ 688,764	34.73%	94.15%
2018	0.120360%	\$ (89,338)	\$ 740,849	-12.06%	101.98%
2019	0.124610%	\$ 553,046	\$ 766,022	72.20%	88.86%
2020	0.130020%	\$ 6,121	\$ 824,447	0.74%	99.89%
2021	0.120960%	\$ (212,084)	\$ 741,216	-28.61%	104.00%
2022	0.110480%	\$ (520,385)	\$ 782,812	-66.48%	110.46%

*Amounts presented were determine as of the measurement date (previous fiscal year end).

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

Notes to Required Supplementary Information

Changes of Benefit Terms and Assumptions:

2015

A. No changes in benefit terms or assumptions

2016

B. Discount rate decreased from 7.25% to 7.00% and inflation rate decreased from 3.00% to 2.5% along with salary assumptions decreasing from 5.75% to 5.25%.

2017

C. No changes in benefit terms or assumptions.

2018

D. Discount rate decreased from 7.00% to 6.75%.

2019

E. Discount rate decreased from 6.75% to 6.50% and inflation rate decreased from 2.50% to 2.40% along with salary assumptions decreasing from 5.25% to 4.75%. Mortality rates based on Pub-2010 Public Retirement Plans Mortality Table.

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET) (CONTINUED)
(Required Supplementary Information)

For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

2020

F. No changes in benefit terms or assumptions

2021

G. Discount rate decreased from 6.50% to 6.40% and inflation rate decreased from 2.40% to 2.30%.

2022

H. No changes in benefit terms or assumptions.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S CONTRIBUTIONS
(Required Supplementary Information)

For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

<u>Fiscal Year*</u>	<u>(a) Contractually required contribution</u>	<u>(b) Contributions in relation to the contractually required contribution</u>	<u>(a-b) Contribution deficiency (excess)</u>	<u>Commission's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2015	\$ 104,303	\$ 104,303	\$ -	\$ 719,330	14.50%
2016	\$ 89,539	\$ 89,539	\$ -	\$ 688,764	13.00%
2017	\$ 92,606	\$ 92,606	\$ -	\$ 740,849	12.50%
2018	\$ 88,093	\$ 88,093	\$ -	\$ 766,022	11.50%
2019	\$ 94,812	\$ 94,812	\$ -	\$ 824,447	11.50%
2020	\$ 98,964	\$ 98,964	\$ -	\$ 807,857	12.25%
2021	\$ 90,799	\$ 90,799	\$ -	\$ 741,216	12.25%
2022	\$ 90,024	\$ 90,024	\$ -	\$ 782,812	11.50%

*Amounts presented were determined as of the end of the fiscal year.

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

Notes to Required Supplementary Information

Changes of Benefit Terms and Assumptions include:

2015

A. No changes in benefit terms or assumptions

2016

B. Discount rate decreased from 7.25% to 7.00% and inflation rate decreased from 3.00% to 2.5% along with salary assumptions decreasing from 5.75% to 5.25%.

2017

C. No changes in benefit terms or assumptions.

2018

D. Discount rate decreased from 7.00% to 6.75%.

2019

E. Discount rate decreased from 6.75% to 6.50% and inflation rate decreased from 2.50% to 2.40% along with salary assumptions decreasing from 5.25% to 4.75%. Mortality rates based on Pub-2010 Public Retirement Plans Mortality Table.

2020

F. No changes in benefit terms or assumptions

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S CONTRIBUTIONS (CONTINUED)

(Required Supplementary Information)

For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

2021

G. Discount rate decreased from 6.50% to 6.40% and inflation rate decreased from 2.40% to 2.30%.

2022

H. No changes in benefit or assumptions.

OTHER SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANASCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2022

Agency Head: Donald F. Sagrera

Purpose

Salary	\$ 120,000
Benefits – insurance	12,864
Benefits – retirement	13,800
Car allowance	20,400
Reimbursements	<u>1,800</u>
	<u>\$ 168,864</u>

See Independent Auditor's Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2022, 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 XX, 2023.

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. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item #2022-1 that we consider to be a material weakness.

Report on 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 financial statements. 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*.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Bernard J. Lachar" followed by a stylized monogram or set of initials.

Lafayette, Louisiana
June 27, 2023

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2022

We have audited the basic financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2022, and have issued our report thereon dated June 27, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2022 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

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

Compliance

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

Finding #2022-1 Segregation of Duties

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

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

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

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

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

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

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF PRIOR FINDINGS
Year Ended December 31, 2022

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

Finding #2021-1 Segregation of Duties

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

Current Status: No change in current year. Finding repeated at #2022-1.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Teche Vermilion Fresh Water District (the "District") and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the year January 1, 2022 through December 31, 2022. The District's management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings 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.

We obtained a copy of their budgeting policy effective for the fiscal year ended December 31, 2022. Items noted above are addressed by the policy.

- 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.

We obtained a copy of their purchasing policy effective for the fiscal year ended December 31, 2022. Items noted above are addressed by the policy.

- c. **Disbursements**, including processing, reviewing, and approving

We obtained a copy of their disbursement policy effective for the fiscal year ended December 31, 2022. Items noted above are addressed by the policy.

- 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).

Exception noted. The District has no formal written policy to address receipts/collections for the year ended December 31, 2022.

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

We obtained a copy of their payroll/personnel policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy.

- 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.

We obtained a copy of their contracting policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy.

- 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).

We obtained a copy of their credit card policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy.

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

We obtained a copy of their travel and expense reimbursement policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy.

- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

We obtained a copy of their ethics policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy.

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

This is not applicable to the District for the fiscal year ended December 31, 2022.

- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the procedure and discussed the results with management.

- I. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We obtained a copy of their sexual harassment policy effective for the year ended December 31, 2022. Items noted above are addressed by the policy

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.

We obtained copies of the District's monthly board meeting minutes for the year ended December 31, 2022. District meets on a monthly basis.

- 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, quarterly budget-to-actual, at minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

We obtained copies of the District's monthly board meeting minutes for the year ended December 31, 2022. District meets on a monthly basis. District review budget-to-actual on a quarterly basis.

- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

This is not applicable to the District for the year ended December 31, 2022.

- d. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

This is not applicable to the District for the year ended December 31, 2022.

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:

We obtained listing of all bank accounts for the year ended December 31, 2022. Management representation was obtained that the listing was complete.

- a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

We verified bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

- 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

Bank reconciliations include evidence that the Executive Directors reviews them via Executive Director's initials on bank reconciliations each month along with the date reviewed.

- 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.

There were no items outstanding for more than 12 months noted.

Collections (excluding electronic funds transfers)

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).

We obtained a list of all deposit sites for the year where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. There is only 1 deposit site.

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:

We obtained a list from management of all deposit sites for the year ended December 31, 2022 for cash/checks/money orders. There was only one deposit site listed. The collection location is at the main office in Lafayette, Louisiana.

- a. Employees that are responsible for cash collections do not share cash drawers/registers.

There is only one employee responsible for collections. All collections are checks, no cash is collected therefore no cash drawer/register is used.

- 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.

The Administrative Assistant is responsible for all collections (no cash) and she also prepares/makes the bank deposits. The Director reviews all collections and deposits.

- 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.

Administrative Assistant is responsible for posting to the general ledger

- 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/official verifies the reconciliation.

The Administrative Assistant is responsible for reconciling deposits to the general ledger via bank reconciliations on a monthly basis and also responsible for the collections.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

The District does not allow cash collections (only checks) therefore none of the employees 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). Obtain supporting documentation for each of the 10 deposits and:

- a. Observe that receipts are sequentially pre-numbered.

Receipts are sequentially pre-numbered.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- 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 and the cash is stored securely in a locked safe or drawer).

Deposits were not made within one business day of receipt at the collection location. Deposits are only made twice per month (every two weeks). It was also noted that the collection date was unable to be determined as the District did not record date of collection; however, it was noted that checks were deposited within a two week period between each deposit.

- e. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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).

The District has only one location that processes payment. We obtained management's representation of this.

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.

The Administrative Assistant prepares checks when invoices are received. The Executive Directors is required to approve each check prior to signing. Administrative Assistant does not have signing authority.

- b. At least two employees are involved in processing and approving payments to vendors.

The Administrative Assistant prepares checks when invoices are received. The Executive Directors is required to approve each check prior to signing. Administrative Assistant does not have signing authority.

- 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.

The Administrative Assistant prepares checks when invoices are received. The Executive Directors is required to approve each check prior to signing. Administrative Assistant does not have signing authority. However, the administrative assistant can add and modify 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.

The Administrative Assistant prepares checks when invoices are received. The Executive Directors is required to approve each check prior to signing. Administrative Assistant does not have signing authority.

- e. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions noted.

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 itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

The District provided supporting documentation that matched invoices tested

- b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

The Administrative Assistant prepares checks when invoices are received. The Executive Directors is required to approve each check prior to signing. Administrative Assistant does not have signing authority.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure # 3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disperse funds (e.g. sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions noted.

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

12. 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.

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

13. 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 (or electronically approved), by someone other than the authorized card holder.

The Executive Director, who is a card holder, reviews the statements on a monthly basis. There is written evidence of this review via Executive Director's initials and date reviewed on the statement. For purchases made by the Executive Director, the board chair reviews the statement before the credit card statement is paid. There is written evidence of this review via board chair's initials and date of review.

- b. Observe that finance charges and late fees were not assessed on the selected statements.

One finance charge noted.

14. 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

For the transactions selected for testing, (1) all transactions were supported by an original itemized receipt that identified precisely what was purchased, (2) all had written documentation of the business/public purpose, and (3) proper documentation noting individuals participating in meals.

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

15. 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, observe that the approved reimbursement rate is no more than rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

We observed that the approved reimbursement rate is no more than the established rates on the GSA website.

- b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

We observed all reimbursements are supported by itemized lists/receipts that identify the expense.

- 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).

We observed all reimbursements are properly supported and document the business purchase, names of those individuals participating, if a meal was purchased.

- d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We observed all reimbursements were approved by the board and signed by a board member other than whom was receiving the reimbursements.

Contracts

16. 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. 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.

We observed the District was in compliance with the Louisiana Public Bid 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).

We observed that the District's board properly approved each contract.

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

We observed that the contract amendments were within the original contract terms.

- 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.

We observed all invoices related to payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

We obtained a listing of employees and elected officials during the fiscal year ended December 31, 2022 and management's representation that this listing is complete. We agreed the selected employee/officials salaries/pay rates to their employee file.

- 18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Daily attendance and leave is required to be documented for all salaried and full time employees. We observed the documentation for attendance and leave.

- b. Observe that supervisors approved the attendance and leave of the selected employees or officials.

We reviewed for proper approval for daily attendance and leave by the appropriate supervisor for those selected for testing with one exception noted. One timesheet did not have physical evidence of proper approval by the appropriate supervisor.

- c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The District maintains a leave schedule that shows the amount of leave days used by each employee along with the cumulative total days left to use.

- d. Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

We observed for each employee selected for testing that their salary/pay rate agrees to what is in their personnel file.

19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, and agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Per management, there were no terminations during the year ended December 31, 2022.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Management representations were obtained.

Ethics

21. 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.

We selected 5 employees at random to be tested. Management provided ethics training completion certifications for each employee tested.

- b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

For the fiscal year ended December 31, 2022 there were no changes to the District's ethics policy. We obtained management's representation to verify.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

The District did appoint an ethics designee as required by R.S. 42:1170.

Debt Service

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

Not applicable for the District as they have no bonds/notes during the current fiscal year.

24. 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable for the District as they have no bonds/notes during the current fiscal year.

Fraud Notice

25. 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.

None in the current year.

26. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We observed the District's website properly posted fraud notice on its home page under "notices".
The District also has this posted at the Lafayette, Louisiana office in the board meeting room.*

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure # 19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

The District did not have any terminated employees during the fiscal year.

Sexual Harassment

29. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We selected 5 employees to test and noted completion of sexual harassment training was completed for all 5 employees tested.

30. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Exception noted. The District does not have the sexual harassment policy properly posted on their website.

31. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

Exception noted. The District did not complete an annual sexual harassment report for the fiscal year ended December 31, 2022.

We were engaged by Teche Vermilion Fresh Water District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Teche Vermilion Fresh Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.



Broussard Poche, LLP
Lafayette, Louisiana
June 27, 2023