

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

Annual Financial Report

June 30, 2017 and 2016

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
Annual Financial Report
June 30, 2017 and 2016**

TABLE OF CONTENTS

	Page
<i>Management's Discussion & Analysis</i>	1
<i>Financial Section:</i>	
INDEPENDENT AUDITOR'S REPORT	8
BASIC FINANCIAL STATEMENTS – Water Enterprise Fund:	
Comparative Statement of Net Position	11
Comparative Statement of Revenues, Expenses, and Changes In Net Position	12
Comparative Statement of Cash Flows	13
Notes to Financial Statements	14
<i>Required Supplemental Information:</i>	
Schedule of Per Diem and Compensation of Board of Commissioners	46
Parochial Employees Retirement System:	
Schedule of Proportionate Share of the Net Pension Liability And Related Ratios	47
Schedule of Required Contributions	47
<i>Other Supplemental Schedules:</i>	
Comparative Statement of Operating Expenses	48
Statements of Cash Receipts and Disbursements:	
Revenue Fund	49
Maintenance and Operating Fund	49
Renewal and Improvements Fund	50
Summary of Cash and Investments – Current Assets	50
Restricted Assets	51
Schedules of Maturities:	
\$6,450,000 Water Revenue Refunding Bonds, 2011 Series	52
\$3,660,000 Water Revenue Bonds, 2013 Series	53
\$5,975,000 Water Revenue Refunding Bonds, 2015 Series	54
Schedule of Compensation, Benefits and Other Payments to Agency Head	55
Schedule of Metered Water Customers (Unaudited)	56
Schedule of Insurance in Force (Unaudited)	57

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
Annual Financial Report
June 30, 2017 and 2016**

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
<i>Reports Required by Government Auditing Standards:</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Schedule of Current Year Findings	60

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

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

FINANCIAL HIGHLIGHTS

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

- Total assets decreased by approximately \$518,000 while total liabilities decreased by \$2.6 million.
- Total net position increased by \$1.6 million or 2% from the prior year.
- Operating revenues decreased slightly by about 7% while operating expenses increased by approximately 2.5% from the prior year.
- Non-operating revenues decreased by \$1.7 million mostly due to the settlement resulting from the BP Oil Spill that was received in the prior year.
- Non-operating expenses decreased by \$83,000 due to less required to be paid for the interest on bonds and the amortization of debt discount and refunding.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017 and 2016

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

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

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

FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
(In millions of dollars)

	FY2017	FY2016	Dollar Change	Percent Change
Current Assets	\$ 15.6	\$ 16.5	\$ (0.9)	-6.1%
Restricted Assets	4.8	5.2	(0.4)	-7.7%
Capital Assets	73.5	72.7	0.8	1.1%
Total Assets	93.9	94.4	(0.5)	-0.6%
Deferred Outflows	1.5	2.0	(0.5)	-25.0%
Current Liabilities	1.5	1.6	(0.1)	-6.3%
Long Term Liabilities	13.2	15.7	(2.5)	-16.6%
Total Liabilities	14.7	17.3	(2.6)	-15.6%
Deferred Inflows	0.2	0.2	-	100.0%
Net investment in capital assets	63.2	60.9	2.3	3.8%
Restricted	4.0	5.6	(1.6)	-28.6%
Unrestricted	13.3	12.4	0.9	7.3%
Total Net Position	\$ 80.5	\$ 78.9	\$ 1.6	2.0%

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

The liabilities to assets ratio, which indicates the degree to which the assets are financed through borrowing and other obligations, decreased slightly due to scheduled debt payments from 18.3% in 2016 to 15.6% in 2017. Total net position increased \$1.6 million or 2%. Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased by approximately 30%. Unrestricted Net Position increased by approximately \$.9 million to \$13.3 million. The Net Investment in Capital Assets increased by \$2.3 million absorbing the remaining positive change in net position.

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

- Current assets decreased by 5.5% primarily due to a decrease in unrestricted cash and investments generated by the current year spending from operations. Restricted cash and investments decreased slightly as well.
- Capital assets increased by \$.8 million primarily due to new construction projects being entered into and completed during the fiscal year.
- Current liabilities decreased slightly due to slight decreases in accounts payables and retainage payables.
- Long term debt outstanding decreased due to payments made reducing the outstanding balances at the end of the year.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position
(In millions of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 10.9	\$ 11.7	\$ (0.8)	-6.8%
Non-operating Revenues	3.4	5.1	(1.7)	-33.3%
Total Revenues	14.3	16.8	(2.5)	-14.9%
Depreciation/Amortization Expense	4.2	4.0	0.2	5.0%
Other Operating Expenses	8.8	8.7	0.1	1.1%
Non-operating Expenses	0.4	0.5	(0.1)	-20.0%
Total Expenses	13.4	13.2	0.2	1.5%
Income before Capital Contributions	0.9	3.6	(2.7)	-75.0%
Capital Contributions	0.7	1.2	(0.5)	-41.7%
Change in Net Position	1.6	4.8	(3.2)	-66.7%
Beginning Net Position	78.9	74.1	4.8	6.5%
Ending Net Position	\$ 80.5	\$ 78.9	\$ 1.6	2.0%

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

Operating revenues decreased by approximately \$800,000 and non-operating revenues decreased by \$1.7 million. Depreciation expense, other operating expenses and non-operating expenses remained relatively the same.

BUDGETARY HIGHLIGHTS

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

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

Condensed Comparison of Budget and Actual
(In millions of dollars)

	Budget	FY2017	Dollar Variance	Percent Variance
Operating Revenues	\$ 11.4	\$ 10.9	\$ (0.5)	-4.4%
Non-operating Revenues	3.2	3.4	0.2	6.2%
Total Revenues	14.6	14.3	(0.3)	-2.1%
Operating Expenses	7.9	8.8	(0.9)	-11.4%
Depreciation	3.7	4.2	(0.5)	-13.5%
Non-operating Expenses	0.5	0.4	0.1	20.0%
Total Expenses	12.1	13.4	(1.3)	-10.7%
Income before Capital Contributions	2.5	0.9	(1.6)	-64.0%
Capital Contributions	-	0.7	0.7	100.0%
Change in Net Assets	2.5	1.6	(0.9)	-36.0%
Beginning Net Assets, restated	78.9	78.9	-	0.0%
Ending Net Assets	\$ 81.4	\$ 80.5	\$ (0.9)	-1.1%

Significant budget variance explanations:

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

CAPITAL ASSETS

The District reported a net of \$73.5 million of capital assets as summarized in the table below. This amount represents a net increase (including additions and deductions and less depreciation) of \$823,679 from the prior year.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

Summary of Capital Assets

	2015	2016	2017
Land and Right of Ways	\$ 955,083	\$ 1,248,049	\$ 1,351,109
Construction in Progress	5,473,070	3,752,770	2,191,123
Water Plant & Building	32,852,945	35,180,766	35,664,437
Transmission & Distribution	96,944,409	100,341,271	105,826,498
Distribution Equipment	828,820	894,123	922,001
Administration Buildings	542,167	550,417	631,317
Furniture & Equipment	277,459	295,753	298,678
Transportation Equipment	582,708	642,921	631,001
Intangible Assets	46,533	47,088	48,875
Total Cost of Assets	138,503,194	142,953,158	147,565,039
Accumulated Depreciation/ Amortization	(66,466,207)	(70,258,368)	(74,046,570)
Total Capital Assets, Net Depreciation/Amortization Expense	\$ 72,036,987	\$72,694,790	\$ 73,518,469
	\$ 3,788,352	\$ 3,970,589	\$ 4,167,382

During the fiscal year \$10.1 million assets were capitalized, including \$5.1 million of Construction in Progress. Depreciation of \$4.2 million was recorded, and \$309,112 of disposals were removed from the capital asset totals.

Major capital additions (other than Construction in Progress) included:

• additions to Land	\$ 103,060
• additions to the Water Plant and Building	\$ 556,909
• additions to the Transmissions and Distribution	\$ 5,546,847
• additions to Transportation Equipment	\$ 131,503

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

DEBT ADMINISTRATION

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

	Outstanding Debt		
	2015	2016	2017
Water Revenue Bonds:			
\$7,330,000 dated 10/28/04	\$1,655,000	\$845,000	\$ -
\$10,000,000 dated 12/1/06	915,000	470,000	-
\$6,450,000 dated 11/22/11	4,750,000	4,145,000	3,520,000
\$3,660,000, dated 3/19/13	3,005,000	2,670,000	2,325,000
\$5,975,000, dated 5/26/15	5,975,000	5,975,000	5,975,000
Total Water Revenue Bonds	<u>16,300,000</u>	<u>14,105,000</u>	<u>11,820,000</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

Net Postemployment Benefit Obligation	174,025	185,874	195,236
Net Pension Liability	<u>142,817</u>	<u>1,386,808</u>	<u>1,141,246</u>
Total outstanding	<u>\$ 16,616,842</u>	<u>\$ 15,677,682</u>	<u>\$ 13,156,482</u>

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

Bond Ratings

Outstanding bonds carry the following ratings:

- 2011 bonds are AA rated (stable) from Standard & Poor's
- 2013 bonds are AA rated (stable) from Standard & Poor's
- 2015 bonds are AA rated (stable) from Standard & Poor's

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2018, it is estimated that the District:

- Will serve an average of 32,858 customers; an increase of 82 over the average customers served for the twelve-month period ended March 31, 2017.
- Will generate water sales in the amount of 2,928,443 M gallons, a decrease of 1,869 M gallons compared to the twelve-month period ending March 31, 2017.
- Resulting water service revenues are estimated to amount to \$10,388,887, which would be \$90,585 more than the March 31st twelve-month period.
- It is estimated that the District will collect \$546,000 for connection charges and penalties for late payment of bills, or about \$28,643 less than the level of the comparison year, which will result in total revenues of \$10,934,887, up by \$61,942 or .57 percent.

June 30, 2018 Summary of Projected Budget

Water Service Revenue	\$ 10,934,887
Operating Expenses	<u>(7,791,091)</u>
Net Operating Revenue	3,143,796
Other Income	3,255,428
Other Expenses	<u>(452,514)</u>
Net Income before Depreciation	5,946,710
Depreciation	<u>(4,100,000)</u>
Net Income	<u>\$ 1,846,710</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017 and 2016

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied by the District. By election on December 6, 2014, the voters approved to continue a maximum operating and maintenance tax of 3.57 mills per annum. For the fiscal year 2017, the Board of Commissioners approved a 3.57 mill levy on for operating and maintenance tax purposes, and such levy has been used for budget purposes for the 2018 fiscal year.

The District's capital and restricted equity budget for fiscal year 2018 provides for total expenses of \$12,178,500, including \$5,430,000 of new/carryover construction, and waterline replacement projects and \$5,765,320 of work equipment including purification equipment. Maintenance or Improvements are estimated to be \$983,180 from the restricted equity in 2018. Some of the most significant capital projects are as follows:

• New Projects (Construction/Replacement 2015-2016)	\$ 325,000
• New Projects (Construction/Replacement 2016-2017)	\$ 1,500,000
• New Projects (Construction/Replacement 2017-2018)	\$ 1,500,000
• Waterline Relocation Along LA Hwy1-GM Floodgates	\$ 485,000

Significant Restricted Equity Projects:

• Cleaning & Painting of Elevated Storage Tanks	\$ 734,000
• Taste & Odor PAC specifications & performance evaluation	\$ 82,550
• Replace North SCADA radios system	\$ 50,000
• Cleaning & Rebuilding Sludge Pits at North & South Plants	\$ 102,180
• PLC for chemical feeders at South Plant	\$ 14,450

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

CONTACTING MANAGEMENT

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

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

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2017, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water District No. 1 of the Parish of Lafourche's internal control over financial reporting and compliance.

Stagni & Company

Thibodaux, Louisiana
October 12, 2017



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

Comparative Statement of Net Position
Water Enterprise Fund
June 30, 2017 and 2016

ASSETS	2017	2016
<i>CURRENT ASSETS</i>		
Cash and cash equivalents	\$ 5,050,608	\$ 4,585,187
Investments	8,047,158	9,544,140
Receivables:		
Water sales	462,394	571,774
Unbilled water sales	1,038,553	866,753
Sewerage	72,469	79,161
Other	79,349	690
Inventories	528,528	561,443
Prepaid insurance	312,609	317,492
	<u>15,591,668</u>	<u>16,526,640</u>
<i>RESTRICTED ASSETS (cash and investments):</i>		
Water revenue bond current debt service cash with fiscal agent	173,750	209,116
Water revenue bond current debt service cash account	1,382,366	1,764,041
Water revenue bond future debt service reserve account	1,931,140	1,930,074
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	259,323	250,147
Customer meter deposits investments	850,000	850,000
	<u>4,796,579</u>	<u>5,203,378</u>
<i>CAPITAL ASSETS</i>		
at cost (net of accumulated depreciation/amortization of \$74,046,570 for 2017 and \$70,258,368 for 2016)	73,518,469	72,694,790
TOTAL ASSETS	<u>93,906,716</u>	<u>94,424,808</u>
<i>DEFERRED OUTFLOWS OF RESOURCES</i>		
Deferred charge on refunding	187,658	257,067
Deferred Pension Contributions	204,793	202,084
Deferred Pension - Other	1,103,827	1,578,714
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,496,278</u>	<u>2,037,865</u>
LIABILITIES		
<i>CURRENT LIABILITIES (payable from current assets):</i>		
Accounts payable and accrued expenses	54,121	11,754
Retainage payable	21,009	102,189
Due to other entities for water sale collections	172,856	175,537
<i>CURRENT LIABILITIES (payable from restricted assets):</i>		
Interest accrued	173,750	209,116
Customer meter deposits	1,109,260	1,100,085
	<u>1,530,996</u>	<u>1,598,681</u>
<i>LONG-TERM DEBT</i>		
Due within one year	1,505,000	2,285,000
Due after one year	10,315,000	11,820,000
Net Other Post Employment Benefits Obligation	195,236	185,874
Net Pension Liability	1,141,246	1,386,808
	<u>13,156,482</u>	<u>15,677,682</u>
TOTAL LIABILITIES	<u>14,687,478</u>	<u>17,276,363</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>		
Deferred Pension inflows	200,094	220,982
NET POSITION		
Net Investment in capital assets	63,203,469	60,874,790
Restricted for:		
Customer Deposits	1,109,260	1,100,085
Capital Projects and maintenance	1,078,274	1,596,186
Debt Service	1,852,500	2,951,433
Unrestricted	13,271,919	12,442,834
TOTAL NET POSITION	<u>\$ 80,515,422</u>	<u>\$ 78,965,328</u>

See Notes to Financial Statements.

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

Comparative Statement of Revenues, Expenses and Changes in Net Position
Water Enterprise Fund
For the years ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES:		
Metered sales to regular customers	\$ 10,351,945	\$ 11,061,785
Metered sales to industrial and municipal customers	11,161	25,445
Connection charges and other revenues	567,856	666,289
	10,930,962	11,753,519
OPERATING EXPENSES:		
Water purchased for resale	32,415	33,619
Water treatment expenses	3,673,936	3,486,321
Transmission and distribution expenses	2,251,163	2,058,756
Customer accounts expenses	1,101,328	1,033,370
Administrative and general expenses	1,767,602	2,090,636
Depreciation and Amortization	4,167,382	3,970,589
	12,993,826	12,673,291
Operating Income (Loss)	(2,062,864)	(919,772)
NON-OPERATING REVENUE:		
Investment income	54,803	38,376
Ad Valorem taxes	3,151,150	3,097,934
Shared revenue	52,081	50,025
Grant - Lafourche Parish Council	90,117	-
Other income	52,903	41,219
BP Settlement	-	1,872,664
	3,401,054	5,100,218
NON-OPERATING EXPENSES:		
Interest on bonds	384,987	452,074
Amortization of debt discount and refunding	69,409	105,014
Other post employment benefits	9,362	11,849
(Gain) loss on sale of fixed assts	4,683	(21,566)
(Gain) loss on investments	(7,026)	(2,640)
	461,415	544,731
Income (loss) before Capital Contributions	876,775	3,635,715
Capital contributions	673,319	1,175,923
Change in net position	1,550,094	4,811,638
Net Position:		
Beginning of year	78,965,328	74,153,690
End of year	\$ 80,515,422	\$ 78,965,328

See notes to financial statements.

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

Comparative Statement of Cash Flows

Water Enterprise Fund

For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 10,859,878	\$ 11,877,390
Cash payments to suppliers for goods and services	(4,200,694)	(4,664,102)
Cash payments made to employees for services	(4,683,568)	(4,261,268)
Net cash provided (used) by operating activities	1,975,616	2,952,020
Cash flows from noncapital financing activities:		
Ad valorem taxes received	3,151,150	3,097,934
Revenue sharing grant	52,081	50,025
BP Settlement	-	1,872,664
Other noncapital financing revenue	102,087	2,884
Net cash provided (used) by noncapital financing activities	3,305,318	5,023,507
Cash flows from capital and related financing activities:		
(Acquisition) sale of capital assets	(4,322,425)	(3,430,903)
Principal paid/defeased on revenue bond maturities	(2,285,000)	(2,195,000)
Interest on revenue bonds	(420,353)	(411,381)
GASB 68 differences for proportionate share	246,661	173,209
Net cash provided (used) for capital and related financing activities	(6,781,117)	(5,864,075)
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	1,495,916	(500,741)
Gain (loss) on sale of investments	7,020	2,640
Interest and dividends on investments	54,803	38,376
Net cash provided (used) by investing activities	1,557,739	(459,725)
Net increase (decrease) in cash and cash equivalents	57,556	1,651,727
Cash and cash equivalents at the beginning of year	6,808,491	5,156,764
Cash and cash equivalents at the end of year	\$ 6,866,047	\$ 6,808,491
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 5,050,608	\$ 4,585,187
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	173,750	209,116
Water revenue bond current debt service account	1,382,366	1,764,041
Customer meter deposits	259,323	250,147
	\$ 6,866,047	\$ 6,808,491
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(\$2,062,864)	(\$919,772)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	4,167,382	3,970,589
Changes in assets and liabilities:		
(Increase) decrease in receivables	(80,259)	106,986
(Increase) decrease in inventory	32,915	(5,114)
(Increase) decrease in prepaid insurance	4,883	16,916
Increase (decrease) in accounts payable	(14,436)	(111,794)
Increase (decrease) in contracts and retainage payable	(81,180)	(122,676)
Increase (decrease) in customer deposits	9,175	16,885
Total adjustments	4,038,480	3,871,792
Net cash provided (used) by operating activities	\$ 1,975,616	\$ 2,952,020
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$ 673,319	\$ 1,175,923
Net Other Postemployment Benefits Obligation Increase	\$ (9,362)	\$ (11,849)
Deferred Pension Contributions	\$ (472,178)	\$ 1,780,798
Amortization of debt discount and refunding	\$ 69,409	\$ 105,014
Revenue from Non-Employer Contributions	\$ 40,933	\$ 38,335

See notes to financial statements.

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

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

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

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

Note 1 *Summary of Significant Accounting Policies*

Reporting Entity

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

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

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Deposits and Investments

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

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

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

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

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

Capital Assets (continued)

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

Deferred Outflows/Inflows of Resources

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

- The deferred charge on refunding reported in the statement of net position of \$187,658 for 2017 and \$257,067 for 2016 results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt.
- The Deferred Outflow of resources related to pension contributions is the amount of the contributions paid after the pension plan measurement date (December 31, 2016 and 2015) with regards to GASB 68. These employer contributions from January-June 2017 were \$204,793 and 2016 were \$202,084. This amount will be amortized using a straight line amortization method over a period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

Long term Obligations

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

Restricted Assets

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

Net Position

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

Contributed Capital

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

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

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

Estimates

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

Risk Management

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

Note 2 *Budget Information*

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

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 16, 2016 at the regular board meeting.

Note 3 *Deposits with Financial Institutions and Investments*

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2017 and 2016, the carrying amounts of deposits were \$13,959,932 and \$14,985,333 and the bank balances were \$14,547,876 and \$15,334,520. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 3 Deposits with Financial Institutions and Investments (Continued)

Custodial Credit risk is the risk that in an event of a bank failure, deposits may not be returned to the entity. As of June 30, 2017 and 2016, \$13,796,446 and \$14,582,995 of the bank balances was exposed to custodial credit risk. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$17,349,737 for 2017 and \$16,375,979 for 2016, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

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

Investments at June 30, 2017 consisted of:

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

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 3 Deposits with Financial Institutions and Investments (Continued)

Investments at June 30, 2016 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$1,973,157	\$1,973,157	Less than a year
U.S. Mortgage Backed	1,930,074	1,931,195	Less than a year
Certificates of Deposits	10,150,000	10,150,000	Less than a year
TOTAL	14,053,231	14,054,352	
LAMP	444,140	441,140	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$14,497,371	\$14,495,492	

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

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

Credit Risk and Custodial Credit Risk. State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the District's policy to limit its investments in these investment types. At June 30, 2016 and 2017, the District's investment in LAMP was rated AAAM by Standard & Poor's.

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 3 Deposits with Financial Institutions and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in structured financial instruments, which are held by an agent in the District's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2017 and 2016, the District held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the District will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost.

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

Note 4 Ad Valorem Taxes

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

	Authorized Millage	Levied Millage
Water District Operations	3.61	3.57

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

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2016. The assessed values for the property on January 1, on which the 2017 and 2016 levies were based, was \$975,954,789 and \$931,501,812, respectively.

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

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

Note 4 *Ad Valorem Taxes (continued)*

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents. The millage levied for the year June 30, 2017 and 2016 was 3.57. Taxes collected as of June 30, 2017 on the 2016 taxes levied was 90%. Taxes collected as of June 30, 2016 on the 2015 taxes levied was 93%.

Note 5 *Deferred Compensation Plan*

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$18,000 for the 2016 and 2017 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$6,000 above the annual deferral limit. For the fiscal period ending June 30, 2017 and 2016, the contributions to the plan was \$21,092 and \$15,906, respectively.

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 6 Capital Assets

Capital assets and depreciation summary follows:

Description	Balance June 30, 2015	Net Additions (Dispositions) Reclassifications	Balance June 30, 2016	Net Additions (Dispositions) Reclassifications	Balance June 30, 2017
Capital assets, not being depreciated					
Land and Right of Way	\$ 955,083	\$ 292,966	\$ 1,248,049	\$ 103,060	\$ 1,351,109
Construction Projects in Progress	5,473,070	(1,720,300)	3,752,770	(1,561,647)	2,191,123
Total capital assets, not being depreciated	6,428,153	(1,427,334)	5,000,819	(1,458,587)	3,542,232
Capital assets, being depreciated					
Water Plant and Building	32,852,945	2,327,821	35,180,766	483,671	35,664,437
Transmissions and Distribution System	96,944,409	3,396,862	100,341,271	5,485,227	105,826,498
Distribution and Maintenance Equipment	828,820	65,303	894,123	27,878	922,001
Administration and Office Buildings	542,167	8,250	550,417	80,900	631,317
Furniture and Equipment	277,459	18,294	295,753	2,925	298,678
Transportation Equipment	582,708	60,213	642,921	(11,920)	631,001
Intangible Assets	46,533	555	47,088	1,787	48,875
Total capital assets, being depreciated	132,075,041	5,877,298	137,952,339	6,070,468	144,022,807
Accumulated Depreciation/Amortization					
Water Plant and Building	(16,222,451)	(1,141,396)	(17,363,847)	(1,131,675)	(18,495,522)
Transmissions and Distribution System	(48,454,437)	(2,601,209)	(51,055,646)	(2,663,263)	(53,718,909)
Distribution and Maintenance Equipment	(660,066)	(37,430)	(697,496)	(20,503)	(717,999)
Administration and Office Buildings	(414,296)	(18,932)	(433,228)	(19,923)	(453,151)
Furniture and Equipment	(206,327)	(4,587)	(210,914)	(25,621)	(236,535)
Transportation Equipment	(463,785)	12,162	(451,623)	74,001	(377,622)
Intangible Assets	(44,845)	(769)	(45,614)	(1,218)	(46,832)
Total accumulated depreciation/amortization	(66,466,207)	(3,792,161)	(70,258,368)	(3,788,202)	(74,046,570)
Total capital assets, being depreciated net	65,608,834	2,085,137	67,693,971	2,282,266	69,976,237
Total capital assets, net	\$ 72,036,987	\$ 657,803	\$ 72,694,790	\$ 823,679	\$ 73,518,469
Depreciation/Amortization Expense	\$ 3,788,352		\$ 3,970,589		\$ 4,167,382

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 6 Capital Assets (Continued)

Fiscal Year Ended	30-Jun-16	30-Jun-17
Assets Capitalized	\$ 4,573,072	\$4,920,993
Assets Disposed	\$ 122,487	\$ 309,112
Total Depreciation	\$ 3,696,820	\$4,166,164
Total Amortization	\$ 769	\$ 1,218

Note 7 Long-Term Debt

Long-term debt for the year ended June 30, 2016 and 2017 is as follows:

Water Revenue Bonds	2016	2017
Consisted of the following:		
\$7,330,000 Water Revenue Refunding Bonds dated October 28, 2004 with a Final maturity on January 1, 2017 And with interest at 1.8% to 3.85%	\$845,000	\$ -
\$10,000,000 Water Revenue Bonds dated December 1, 2006 with a Final maturity on January 1, 2027 and with Interest at 4.0% to 4.5%	470,000	-
\$6,450,000 Water Revenue Refunding Bonds dated November 22, 2011 with a Final maturity on January 1, 2022 and with interest at 2.0% to 3.5%	4,145,000	3,520,000
\$3,660,000 Water Revenue Refunding Bonds dated March 19, 2013, with a Final maturity on March 1, 2023 and with interest at 2.0% to 2.5%	2,670,000	2,325,000
\$5,975,000 Water Revenue Refunding Bonds dated May 26, 2015, with a final maturity on January 1, 2027 and with interest at 2.0-3.5%	5,975,000	5,975,000
TOTAL	\$14,105,000	\$11,820,000

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 7 Long-Term Debt (Continued)

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

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

Year Ended June 30, 2016	Amount
2017	\$2,951,433
2018	1,852,500
2019	1,867,563
2020	1,894,475
2021	1,903,025
2022-2026	5,259,475
2027	740,025
TOTALS	\$16,468,496

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 7 Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2017 and 2016 follows:

	July 1, 2015	Additions/ (Retirements)	June 30, 2016	Additions/ (Retirements)	June 30, 2017
Water Revenue Bonds Payable	\$16,300,000	\$(2,195,000)	\$14,105,000	\$(2,285,000)	\$11,820,000
Deferral on Refunding	(361,081)	105,014	(257,067)	69,409	(187,658)
Net OPEB Obligation	174,025	11,849	185,874	9,362	195,236
Net Pension Liability	142,817	1,243,991	1,386,808	(245,562)	1,141,246
TOTAL	\$16,254,761	\$(834,146)	\$15,420,615	\$(2,451,791)	\$12,968,824

Note 8 Flow of Funds; Restrictions on Use

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

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

- On or before the 20th day of each month, the District must set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued October 28, 2004, December 1, 2006 and November 22, 2011, March 19, 2013 and May 26, 2015, the District established and must maintain the "Reserve Fund", by transferring from bond proceeds, the sum that will at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, the District must deposit into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for caring for extensions, additions, improvements, renewals, and replacement necessary to properly operate the Water System. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. Money in this fund shall never be used for the making of extensions, additions, improvements, renewals, and replacements to the Water System if the use of said money will leave in said Renewal and Replacement Fund for the making of emergency repairs or replacements less than the sum of \$100,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount for administration, operation and maintenance expenses, is to be considered surplus and transferred to the Surplus Fund. Such funds are to be used for the purpose of constructing or acquiring extensions, additions, improvements, renewals or replacements to the water system, or for the purpose of retiring all or a portion of the Bonds, Outstanding Parity Bonds, or and Additional Parity Bonds.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits

Plan Description. Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement, provided the employee has at least 30 years of service at retirement.

Employees with twenty-five (25) years of service or more are eligible for group health coverage as follows:

- Retirees with 25 of service, but less than 30 years of service will be responsible for the total premium for health insurance coverage. The insurance coverage will be available to the retiree for ten (10) years or until his/her 65th birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan. Since these retirees are paying 100% of the cost of their insurance; they are not considered in the net post-employment benefit obligation calculation.
- Retirees with 30 years of service or more will be responsible for a percentage of the premium and the District will pay a percentage of the premium. The retiree's percentage of the premium will be determined annually by the Board. The insurance coverage will be available to the retiree for ten (10) years from retirement or until his/her 65th birthday or until such time as the employee becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan. These employees are those considered for the net post-employment benefit obligation.

The coverage is available upon retirement only. Coverage for a retiree cannot be reinstated once it is dropped or a retiree is not considered eligible. Retirees that wish to continue group coverage with the District shall be required to pay one month premium in advance upon retiring. Retiree's monthly premium payments (whether the retiree is responsible for all or a portion of the premium) must be received by the 10th of the month or coverage will terminate if premium is not received by the 30th.

While the District fully expects that the benefit will continue indefinitely, due to unforeseen future business contingencies, permanency of the plan is subject to the District's right to amend or terminate the plan at any time.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits (Continued)

Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after July 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. Complete plan provisions are included in the official plan documents.

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

Funding Policy. Effective July 1, 2008, Lafourche Parish Water District implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB Codification Section P50). In 2017 and 2016, the Lafourche Parish Water District's portion of health care funding cost for retired employees totaled \$63,742 and \$59,020, respectively. This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution. Lafourche Parish Water District's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Medical 2017	Medical 2016
Normal Cost	\$16,485	\$ 15,851
30-year UAL amortization amount	59,933	57,628
Annual required contribution (ARC)	\$76,418	\$ 73,479

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits (Continued)

Net Post-employment Benefit Obligation (Asset). The table below reflects the Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal years ending June 30, 2017 and 2016, respectively:

	2017	2016
Beginning Net OPEB Obligation	\$185,874	\$174,025
Plus the annual required contribution	76,418	73,479
Interest on Net OPEB obligation	7,435	6,961
ARC Adjustment	(10,749)	(9,571)
Gross OPEB Cost	73,104	70,869
Contribution to Irrevocable Trust		
Less the current year retiree premium	(63,742)	(59,020)
Change in Net OPEB Obligation	9,362	11,849
Ending Net OPEB Obligation	\$195,236	\$185,874

The following table summarizes the annual post-employment benefits cost, percentage of the cost contributed, and the net unfunded post-employment benefits liability:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	June 30, 2015	\$70,300	106.05%	\$174,025
Medical	June 30, 2016	\$70,869	83.28%	\$185,874
Medical	June 30, 2017	\$73,104	87.19%	\$195,236

Funded Status and Funding Progress. In the fiscal year ending June 30, 2017 and 2016, the District made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2016 actuarial valuation, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$1,077,827, which is defined as that portion, as determined by a particular actuarial cost method (Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded, the entire actuarial accrued liability of \$1,077,827 was considered unfunded.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits (Continued)

	2017	2016
Actuarial Accrued Liability (AAL)	\$ 1,077,827	\$ 1,036,372
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 1,077,827	\$ 1,036,372
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 3,175,784	\$ 2,830,314
UAAL as a percentage of covered payroll	33.94%	36.62%

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

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the District and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the District and its plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits (Continued)

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

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 7%.

Post-Employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence seven years after eligibility to enter the DROP, as described above under "Plan Description".

Investment Return Assumption (Discount Rate). GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, is used. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 9 Other Post-Employment Benefits (Continued)

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100% of the cost of the medical insurance for the retirees only (not dependents) and only until age 65 or 10 years after retirement, whichever occurs first. The rates provided applicable before age 65 are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate.

Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

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

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

	OPEB Costs and Contributions		
	FY 2015	FY 2016	FY 2017
OPEB Cost	\$ 70,300	\$ 70,869	\$ 73,104
Contribution	-	-	-
Retiree premium	<u>74,552</u>	<u>59,020</u>	<u>63,742</u>
Total contribution and premium	<u>74,552</u>	<u>59,020</u>	<u>63,742</u>
 Change in net OPEB obligation	 <u>\$ (4,252)</u>	 <u>\$ 11,849</u>	 <u>\$ 9,362</u>
 % of contribution to cost	 0.00%	 0.00%	 0.00%
% of contribution plus premium to cost	106.05%	83.28%	87.19%

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension Plan

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

Plan Description and Provisions

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

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

Retirement Benefits

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

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

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension Plan (Continued)

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

Survivor Benefits

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

Deferred Retirement Option Plan Benefits

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

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

Disability Benefits

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension Plan (Continued)

Cost of Living Increases

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

Contributions

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

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

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

As of June 30, 2017 and June 30, 2016, the District reported a total of \$1,141,246 and \$1,386,808 for its proportionate share of the net pension liability of the Parochial Employees Retirement System of Louisiana (PERS), respectively.

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension Plan (Continued)

The proportion of the net pension liability was based on a projection of the long-term contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016 and December 31, 2015, the proportion of the plan was as follows:

<u>Plan</u>	<u>Proportionate share</u>	
	<u>12/31/16</u>	<u>12/31/15</u>
PERS	.554134%	.526845%

For the year ended June 30, 2017 and 2016, the District recognized pension expense as follows:

<u>Plan</u>	<u>Pension expense</u>
2016 PERS	\$ 173,209
2017 PERS	\$ 246,662

Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension (Continued)

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

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

Actuarial assumptions:

The total pension liabilities in the December 31, 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

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

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension (Continued)

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

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

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

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

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension (Continued)

Changes in Assumptions. Amounts reported in the fiscal year ended December 31, 2016 for Parochial Employees' Retirement System reflect an adjustment in the discount rate used to measure the total pension liability. The discount rate for the System was reduced by remained at 7.00% as of the valuation date December 31, 2016. Other changes are as follows:

Valuation Date	12/31/2016	12/31/2015
Inflation Rate	2.50%	2.50%
Projected Salary Increases	5.25%	5.25%
Inflation	2.50%	2.50%
Merit	2.75%	2.75%

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

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

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

Pension plan fiduciary net position:

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

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 10 Pension (Continued)

Support of Non-employer contributing entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017 and 2016, the District recognized revenue as a result of support received from non-employer contributing entities of \$40,933 and \$38,335 for its participation in TRSL.

Payables to the pension plans:

At June 30, 2017 and 2016, there were no amounts due to the pension plan for employer and employee required contributions.

Note 11 Construction Commitments

Construction commitments at June 30, 2017 are as follows:

Project	Total Estimated Cost (1)	Costs Incurred to 6/30/17
18" Waterline Damaged	\$664,827	\$664,827
South Plant High Service Pump Upgrade	357,283	357,283
Waterline Replacement Along West 206 th , et al	477,705	210,086
E Golden Meadow Tank Circulation Pump	84,808	84,808
New Phone System SWTP	4,690	4,690
New Phone System NWTP	2,443	2,443
HACH WIMS System	82,346	21,636
New Surge Protection @ N & S Plants	510,000	-
Upgrade Exterior Lighting @ N & S Plants	30,500	17,730
Permanganate Feed Relocation	2,020	2,020
New Carbon Feed Line @ NWTP	922	922
New Carbon Feed Line @ SWTP	733	733
Mobile Bleach Station	63,012	63,012
Totals	\$2,281,289	\$1,430,190

(1) Approved budget

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2017 and 2016

Note 12 Contingencies

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

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

Note 13 Subsequent Events

The Lafourche Parish Water District has evaluated subsequent events through the October 12, 2017, the date which the financial statements were available to be issued. There are no subsequent events to report.

Note 14 New GASB Accounting Standards

The Governmental Accounting Standards Board (GASB) released two new statements (GASB 74 and GASB 75) related to accounting for Other Postemployment Benefits (OPEB). These changes, which are effective for fiscal years beginning after June 15, 2016 for GASB 74 and June 15, 2017 for GASB 75, significantly increase reporting requirements for employers with "other postemployment benefits." Specifically, the standards require state and local governments to recognize net OPEB liabilities directly in their financial statements, as a means of more effectively disclosing exactly what these benefits are meant to provide.

***REQUIRED SUPPLEMENTAL
INFORMATION***

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Per Diem and Compensation of Board of
Commissioners
June 30, 2017

During the year the Board of Commissioners held twelve meetings. Board members were compensated as follows:

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

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
Parochial Employees Retirement System
Last Ten Fiscal Years **

For Fiscal Year Ended Plan Measurement Date:	<u>June 30, 2017</u> <u>December 31, 2016</u>	<u>June 30, 2016</u> <u>December 31, 2015</u>	<u>June 30, 2015</u> <u>December 31, 2014</u>
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios			
Proportion of the net pension liability	0.554134%	0.526845%	0.522357%
Proportionate share of the net pension liability	\$ 1,141,246	\$ 1,386,808	\$ 142,817
Covered-employee payroll	\$ 3,276,525	\$ 2,997,201	\$ 2,916,255
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.83%	46.27%	4.90%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%
Schedule of Required Contributions			
Contractually required contributions	\$ 429,931	\$ 420,140	\$ 465,035
Contributions made	<u>\$ 429,931</u>	<u>\$ 420,140</u>	<u>\$ 465,035</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,348,747	\$ 3,058,322	\$ 2,964,902
Contribution as a percentage of covered employee payroll	12.84%	13.74%	15.68%

Note: Initial Year of GASB 68 Implementation was June 30, 2015, 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 include:

There were no changes of benefit assumptions for the years ended December 31, 2016, 2015 and 2014.

Changes of Assumptions

There were no changes of benefit assumptions for the years ended December 31, 2016, 2015 and 2014.

***OTHER SUPPLEMENTAL
SCHEDULES***

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

Comparative Statement of Operating Expenses
Water Enterprise Fund
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Water Purchased for Resale	<u>\$ 32,415</u>	<u>\$ 33,619</u>
Water Treatment Expenses:		
Pumping Operations	645,074	626,660
Pumping Maintenance	83,070	55,724
Purification Operations	1,823,640	1,798,931
Purification Maintenance	<u>1,122,152</u>	<u>1,005,006</u>
Total Water Treatment Expenses	<u>3,673,936</u>	<u>3,486,321</u>
Transmission and Distribution Expenses:		
Distributions Operations	1,115,712	1,060,251
Distribution Maintenance	<u>1,135,451</u>	<u>998,505</u>
Total Transmission and Distribution Expenses	<u>2,251,163</u>	<u>2,058,756</u>
Customer Accounts Expenses:		
Customer Operations Expense	<u>1,101,328</u>	<u>1,033,370</u>
Total Customer Accounts Expense	<u>1,101,328</u>	<u>1,033,370</u>
Administrative and General Expenses:		
General Operating & Office Expense	1,513,314	1,853,830
Maintenance - General Property and Equipment	<u>254,288</u>	<u>236,806</u>
Total Administrative and General Expenses	<u>1,767,602</u>	<u>2,090,636</u>
Depreciation and Amortization	<u>4,167,382</u>	<u>3,970,589</u>
TOTAL OPERATING EXPENSES	<u>\$ 12,993,826</u>	<u>\$ 12,673,291</u>

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2017 and 2016

Revenue Fund		
	2017	2016
Cash Balance, July 1	\$ 1,796,439	\$ 2,103,513
Receipts:		
From Customers	11,324,304	12,219,520
Interest Earned	61,280	54,019
Transfers from Other Accounts	3,211,786	3,081,951
Others	1,211,984	1,029,384
	15,809,354	16,384,874
Disbursements:		
Operating Expense	11,755,223	10,094,063
Transfers to Other Accounts	4,037,313	6,597,885
	15,792,536	16,691,948
Cash Balance, June 30	\$ 1,813,257	\$ 1,796,439
Maintenance and Operating Fund		
Cash Balance, July 1	\$ 6	\$ 6
Receipts:		
Ad Valorem Taxes (Net)	3,151,150	3,097,935
Revenue Sharing	52,081	50,025
	3,203,231	3,147,960
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	3,203,231	3,147,960
Cash Balance, June 30	\$ 6	\$ 6

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2017 and 2016

Renewal and Improvements Fund

	2017	2016
Cash Balance, July 1	\$12,248,259	\$9,979,949
Revenues:		
Interest Earned	8,044	5,899
Transfer from:		
Revenue Fund	4,128,283	6,466,318
Renewal & Improvements Investments	-	1,500,000
	4,136,327	7,972,217
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	5,101,083	5,703,907
Cash Balance, June 30	\$11,283,503	\$12,248,259

Summary of Cash and Investments - Current Assets

Revenue Fund	\$1,813,257	\$1,796,439
Maintenance and Operation Fund	6	6
Renewal and Improvements Fund	11,283,503	12,248,259
Payroll Clearing	100	83,723
Cash on Hand	700	700
Cash on Deposit -		
Collection Agent Accounts	200	200
Cash and Temporary Cash Investments - Current Assets	\$13,097,766	\$14,129,327
Unrestricted Cash and Cash Equivalents	\$ 5,050,608	\$ 4,585,187
Unrestricted Investments	8,047,158	9,544,140
	\$ 13,097,766	\$ 14,129,327

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

Statement of Cash Receipts and Disbursements - Restricted Assets
For the years ended June 30, 2017 and 2016

	<u>Current Debt Service Accounts</u>	<u>Future Debt Service Accounts</u>	<u>Water Revenue Bond Contingency</u>	<u>Customer Meter Deposits</u>	<u>2017 Total</u>	<u>2016 Total</u>
	<u>Bond Fund</u>	<u>Bond Reserve</u>				
Cash and investments July 1	\$ 1,973,157	\$ 1,930,074	\$ 200,000	\$ 1,100,147	\$ 5,203,378	\$ 5,095,769
Receipts:						
Interest earned	2,365	-	-	507	2,872	674
Customer deposits	-	-	-	150,090	150,090	153,985
Transfers from:						
Bond Fund	2,277,866	3,862,040	-	-	6,139,906	6,554,321
Bond Reserve	5,960	-	-	-	5,960	2,955
Total receipts	<u>2,286,191</u>	<u>3,862,040</u>	<u>-</u>	<u>150,597</u>	<u>6,298,828</u>	<u>6,711,935</u>
Disbursements:						
Principal	2,285,000	-	-	-	2,285,000	2,195,000
Interest	418,232	-	-	506	418,738	411,866
Refund of customer deposits	-	-	-	14,920	14,920	9,372
Transfers to:						
Bond Fund	-	3,860,974	-	-	3,860,974	3,860,360
Water Revenue Fund	-	-	-	125,995	125,995	127,728
Total disbursements	<u>2,703,232</u>	<u>3,860,974</u>	<u>-</u>	<u>141,421</u>	<u>6,705,627</u>	<u>6,604,326</u>
Cash and investments June 30	<u>\$ 1,556,116</u>	<u>\$ 1,931,140</u>	<u>\$ 200,000</u>	<u>\$ 1,109,323</u>	<u>\$ 4,796,579</u>	<u>\$ 5,203,378</u>

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

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

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

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

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

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

Schedule of Maturities

\$3,660,000 Water Revenue Bonds, 2013 Series

Dated: March 19, 2013

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

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

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

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

Schedule of Maturities

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

Dated: May 26, 2015

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

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

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

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

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2017

Agency Head Name: Dirk Barrios - General Manager

Purpose	Amount
Salary	\$100,547
Benefits - insurance	\$12,246
Benefits - retirement	\$12,630
Benefits - life insurance, short-term and long-term disability	\$741
Benefits - Medicare tax	\$0
Car Allowance	\$0
Vehicle provided by government - reported on 2015 W-2	\$657
Per Diem	\$0
Reimbursements:	\$0
Conference Travel - mileage	\$384
Conference Travel - hotel	\$439
Conference Per Diem - meals	\$86
Travel	\$0
Registration fees	\$238
Conference travel	\$0
Continuing professional education fees	\$0
Housing	\$0
Unvouchered expenses	\$0
Special meals	\$0
Fuel	\$0
Dues	\$0
Cell Phone	\$536
	\$128,504

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

All sales of water are metered. At June 30, 2017, there were 32,768 active metered customers.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Insurance in Force
June 30, 2017

Description	Company	Coverage	Deductible
General Liability w/TRIA 03/01/17 to 03/01/18 Full failure to supply, not limited to tangible property	Arch Insurance Company	\$1,000,000 per occurrence \$3,000,000 general aggregate \$3,000,000 products/completed operations aggr	None
Business Automobile w/TRIA 03/01/17 to 03/01/18	Arch Insurance Company	\$1,000,000 per occurrence \$1,000,000 (UM) \$1,000,000 (hired & nonowned auto)	None
Umbrella/Excess Liability 03/01/17 to 03/01/18	Arch Insurance Company	\$10,000,000 per occ \$10,000,000 annual aggregate Excess of GL, Auto, Employer's Liab., Wrongful Acts, EPLI & Professional Liab.	None
Commerical Crime 03/01/17 to 03/01/18	Arch Insurance Company	\$25,000 inside loss \$25,000 outside loss \$50,000 computer fraud \$100,000 employee theft \$250,000 forgery	\$ 500 ea
Wrongful Acts & Professional Liability 03/01/17 to 03/01/18	Arch Insurance Company	\$1,000,000 per claim \$3,000,000 aggregate occurrence form retroactive date 3-1-03	\$ 1,000
Employment Practices Liability 03/01/17 to 03/01/18	Arch Insurance Company	\$1,000,000 per person \$3,000,000 aggregate retroactive date 3-1-03	\$ 1,000
Terrorism Inclusion Endorsement & Policy Fee 03/01/17 to 03/01/18	Arch Insurance Company	\$1,000,000 aggregate Property & Gen Liab Package	None
Commerical Property w/TRIA 03/01/17 to 03/01/18	ACE American Insurance Company	\$ 34,725,833 (per schedule) \$15,000,000 named windstorm coverage	\$10,000 (A.O.L.) \$10,000 (A.O.P.) 5% Named windstorm or hail, subject to \$25,000 min. N & S Plants, \$10,000 min. all other locations
Fidelity/Crime 03/01/17 to 03/01/18	CNA Surety Co.	\$250,000	None
Boiler & Machinery 03/01/17 to 03/01/18	Travelers Property Insurance Co.	\$50,000,000	\$1,000
Public Officials Oath Bond 03/01/17 to 03/01/18	CNA Surety Co.	\$50,000	None
Worker's Compensation 03/01/17 to 03/01/18	LUBA	\$1,000,000 each accident \$1,000,000 policy limit/\$1,000,000 each employee	None
Pollution 5/17/17 to 5/17/20	Steadfast Insurance Company	\$34,747.29 for 3 years Paid in the 1st year	
Cyber Liability 6/23/17-6/23/18	Travelers Bond & Financial	\$1,000,000 Security Limit of Liab \$1,000,000 Communications & Media Limit of Liability \$500,000 Regulatory Defense Expenses Limit of Liability \$15,000 Retention \$500,000 Crisis Management Event Expenses \$15,000 Retention \$500,000 E-Commerce Extortion \$250,000 Business Interruption and Additional Expenses	
Flood Insurance 9/13/16-9/13/17	WRIGHT NATIONAL FLOOD INSURANCE	Various Buildings - Various Building and Contents Coverage	Various each property

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



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, (the District) a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stagni & Company

October 12, 2017
Thibodaux, Louisiana

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

Schedule of Current Year Findings
For the Year Ended June 30, 2017

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated October 12, 2017. 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 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

- The auditor's report expresses an unmodified opinion on the basic financial statements.
- No deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
- No instances of noncompliance or other matters under *Government Auditing Standards* were disclosed during the audit of the financial statements.
- No instances of noncompliance under the provisions of Louisiana Governmental Audit Guide were disclosed during the audit of the basic financial statements.
- The District did not expend federal awards on this audit over \$750,000.

Section II - Financial Statement Findings

- There were no financial statement findings during the audit of the basic financial statements.

Section III - Federal Award Findings and Questioned Costs

- There were no federal award findings during the audit of the basic financial statements.



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed procedures enumerated below, which were agreed to by the Lafourche Parish Water District No. 1 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures; associated findings; and management's response are described in the following schedule.

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

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

Stagni & Company

Thibodaux, Louisiana

November 8, 2017

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

The required procedures and our findings are as follows:

Procedures performed on the written policies and procedures:

1. Obtain the written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above.

Exceptions: The District is a proprietary fund that utilizes the budget prepared as a management tool but is not required by Local Budget Laws.

Management's response: The District follows its policies adopted for management's use.

- 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.

Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) **Receipts**, including receiving, recording, and preparing deposits

Performance: Obtained and read the written policy for receipts and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the written policies and procedures (continued):

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

Performance: Obtained and read the written policy for payroll and personnel and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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

Performance: Obtained and read the written policy for contracting and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for credit cards and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for travel and expense reimbursement and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Performance: Obtained and read the written policy for ethics and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Management's response: Not applicable.

Procedures performed on the written policies and procedures (continued):

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

Performance: Obtained and read the written policy for debt service and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Board of Commissioners:

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

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

Performance: Obtained and read the written minutes of monthly board meetings.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected meeting minutes for budget to actual comparisons.

Exceptions: The District is a proprietary fund-enterprise type fund and does not have a General Fund. Although a budget is adopted as per the Board's policies the minutes did not reflect or note a comparison of budget to actual.

Management's response: The Board is considering changing the policy and presenting budget comparisons beginning in the next fiscal year.

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

Performance: Inspected Board minutes for the fiscal year and noted non-budgetary financial information in the form of approvals of contract, and disbursements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the bank reconciliations:

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

Performance: Obtained the listing of bank accounts from management, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Performance: Selected 5 bank accounts out of a total of 8 accounts. Inspected documentation for accuracy of bank reconciliations.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected documentation for written approvals of each bank reconciliation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected bank reconciliations for items outstanding for more than 6 months.

Exceptions: There were no outstanding items on the bank reconciliations for longer than 6 months.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the collections:

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

Performance: Obtained the listing of cash/check/money order (cash) collection locations from management, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Inspected the Lafourche Parish Water District No. 1's written policy on "Daily Deposits", and inquired of management as to all of the requirements.

Exceptions: All employees responsible for collecting cash are bonded. Payments are collected at a secure window at the front entrance to the building. Collections are also received through the night drop, mail, secure utilities, and remittance processing service. Employees who collect the cash at the front desk or through the night drop or mail are entered into the Utility Billing System. A recap is printed and once the cash and checks are balanced to the Utility Billing System, an employee prepares the deposit ticket. The daily deposit at the end of the day is put into a sealed tamper resistant bag to be opened only by a bank employee and a District employee makes the deposit to the bank at the end of the day. An accounting clerk posts all Utility Billing recaps. The head accountant reconciles the bank statement. Occasionally during the lunch period employees do share the same cash register or drawer with another employee.

Management's response: Management is following its written policy.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the collections (continued):

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

Performance: Obtained the Utility Billing recaps and reviewed the written policy on Daily Deposits.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Traced collections from the highest dollar week of the cash collections to the deposit date on the corresponding bank statement noting number of days from receipt to deposit for each day at each collection location.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected sequentially numbered receipts, the journal of cash receipts and deposit slips from the bank. Noted that all collections are supported by adequate documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on the collections (continued):

Performance: *Obtained the Utility Billing recaps and reviewed the written policy on Daily Deposits, and inquired of management as to separation of duties.*

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the disbursements:

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

Performance: Obtained the listing of all entity disbursements for the fiscal period, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Randomly selected 25 disbursements. Inquired of management and reviewed the written policies on requisition/purchase orders and how invoices are approved for payment. The written policy requires purchase orders for all purchases except ones of a routine nature and approval by the General Manager is required on those purchase orders over \$500.

Exceptions: There were no exceptions noted

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the disbursements (continued):

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

Performance: Inquired of management and reviewed written policy for purchase approval. The written policy requires purchases orders for all purchases except ones of a routine nature and approval by the General Manager is required on those purchase orders over \$500, there were no exceptions to their policy. Purchases can only be approved by the General Manager and may be oral. At no time should the employee ordering the item be the same employee that signs the purchase order. The office manager is to verify that adequate funds are budgeted and available and that the purchase is in compliance with the *Louisiana Public Bid Law*.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Reviewed and tested the selected 25 disbursements for approval documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected the Lafourche Parish Water District's Purchasing and Disbursement Policy, and inquired of management as to separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on the disbursements (continued):

Performance: : Inspected the Lafourche Parish Water District's Purchasing and Disbursement Policy, and inquired of management as to authorization for disbursements.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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

Performance: Inquired of management, as well as observed that the all supplies of unused checks are maintained in a locked location.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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

Performance: Inquired of management the details of signing checks, noting that all checks are manually signed. Two signatures are required on all checks except for the agent account and the refund clearing account that require only one signature.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Procedures performed on the credit cards, debit cards, fuel cards, p-cards:

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

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Performance: Obtained a listing of all active credit cards including the above-mentioned information for each card, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

Performance: Obtained all monthly statements for all 1 out of the 3 cards issued and observed for supporting documentation as well as approvals.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Reviewed all credit card statements for any late fees or finance charges.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Traced each transaction to an original itemized receipt.

Exceptions: There were no exceptions noted.

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Management's response: Not applicable.

**Procedures performed on the credit cards, debit cards, fuel cards, p-cards
(continued):**

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

Performance: Observed documentation for the purpose of each transaction noting clear purpose as business/public. There were no transactions for meal charges.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Observed written approvals of credit card transactions. Management reviews all transactions and then agrees to support before payment.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Compared transaction detail to the Lafourche Parish Water District's Purchasing and Disbursement Policy and Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions

Performance: Inspected all transactions for compliance with Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the travel and expense reimbursements:

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

Performance: Obtained a listing of all travel and related expense reimbursements including the above-mentioned information, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Compared transaction detail to the Lafourche Parish Water District's Travel and Expense Reimbursement Policy; and to the per diem and mileage rates established by the U.S. General Services Administration.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Selected the 3 employees with the most travel costs during the period and the highest travel expenditure reimburse for each of the 3. Compared documentation to the applicable rates listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on the travel and expense reimbursements (continued):

b) Report whether each expense is supported by:

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

Performance: Traced each expense to the original itemized receipt with detail of reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Traced each expense to the original itemized receipt with detail of reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Traced each expense to the original itemized receipt with documentation for reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Performance: Inspected all transactions for compliance with Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Procedures performed on the travel and expense reimbursements (continued):

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

Performance: Inspected all transactions for documentation of review and approval in writing other than the person receiving the reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on contracts:

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

Performance: Obtained a listing of all contracts, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Obtained a copy and reviewed the 5 of the 45 contracts in effect for the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on contracts (continued):

Performance: Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code, and if applicable to the Louisiana Public Bid Law or Procurement Code

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code, and if applicable to the Louisiana Public Bid Law or Procurement Code, if not, obtained contract documentation of quotes solicited.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected contracts, including amendments and change orders to agree to the actual expenditure. There were 4 contracts with the following amount of approved amendments:

- Contract #1 was amended by a decrease of \$7,175;
- Contract #2 was amended by a change order decrease of \$7,061.45;
- Contract #3 was amended by 2 change orders by an increase of \$9,283;
- Contract #4 was amended by a decrease of \$2,327.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected contract to agree to the actual expenditure.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on contracts (continued):

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

Performance: Observed approval of contracts by management.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on payroll and personnel:

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Performance: Obtained a listing of employees with their related salaries, and received management's representation that it was complete.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Randomly select five employees/officials, obtain their personnel files, and:

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

Performance: Compared compensation from the approved pay letter in personnel folders with payments made to employees during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Observed the written policy and traced all salary adjustments approved in writing as per the policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on payroll and personnel (continued):

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

Performance: Randomly selected one pay period to test leave taken during that period. Inspected 25 daily attendance and leave records for proper documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Reviewed documentation of daily attendance and leave records for proper approval.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Reviewed documentation of daily attendance and leave records each employee eligible for leave.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Performance: Obtained list of terminated employees during the fiscal period and management's representation that the list is complete. Of the 4 terminated employees we traced the 2 employees with the largest termination payments to their personnel files to determine if payments were made in strict accordance with the written policy.

Exceptions: There were no exceptions noted.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Management's response: Not applicable.

Procedures performed on payroll and personnel:

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

Performance: Reviewed payroll and retirement forms filed along with cancelled checks and EFT documentation for the fiscal year to determine if all forms were submitted to the proper agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on ethics:

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

Performance: Performed a search on the LA Ethics Board website for the 5 employees selected for compliance documentation certificates.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inquired of management whether any alleged ethics violations were reported during the fiscal year and management's representation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Procedures performed on debt service:

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

Performance: No debt was issued during the fiscal period.

Exceptions: Not applicable.

Management's response: Not applicable.

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

Performance: Obtained supporting documentation of scheduled debt service payments and debt reserve requirements of the debt covenants.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

Other Procedures performed:

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

Performance: Inquired of management whether any misappropriations of public funds or assets during the fiscal year and management's representation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Lafourche Parish Water District No. 1
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Other Procedures performed (continued):

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

Performance: Inquired of management and observed such notice posted as required.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected all procedures, and the results of such procedures and compared them to management's representation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.