

Financial Report

Terrebonne Levee and Conservation District

Houma, Louisiana

For the year ended June 30, 2017

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Terrebonne Levee and Conservation District

For the year ended June 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities and each major fund of Terrebonne Levee and Conservation District (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Terrebonne Levee and Conservation District as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for the OPEB Plan, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions on pages 4 through 10, 45, 46 and 47 respectively, 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Morganza to the Gulf Fund and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 48 and 49, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, on page 55 is presented for purposes of additional analysis as required by the *U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

The Schedule of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Morganza to the Gulf Fund, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed above, the Schedule of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Morganza to the Gulf Fund, Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2017 on our consideration of the Terrebonne Levee and Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the District's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 27, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Terrebonne Levee and Conservation District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the close of fiscal year 2017 by \$327,557,233 (net position), which represents an 13.1% increase from last fiscal year.
- The District's capital asset additions included approximately \$65.0 million of levees, floodwalls and other hurricane protection assets.
- The District's total revenue increased \$18,969,159 or 49.3% due primarily to increases in drawdowns from Terrebonne Parish Consolidated Government (the Parish) and state reimbursement grants while sales tax collections decreased .
- The District's total expenses increased \$2,249,648 due primarily to the increases in depreciation and accrual for long-term pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual report consists of three parts: (1) management's discussion and analysis, (2) basic financial statements and (3) various governmental internal control and compliance reports and schedules by certified public accountants and management.

The basic financial statements include two kinds of statements that present different views of the District:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during the fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is public safety (hurricane and flood protection). The government-wide financial statements can be found on pages 11-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Morganza to the Gulf Fund and Debt Service Fund. The District adopts an annual appropriated budget for its General and Morganza to the Gulf Funds. Budgetary comparison statements have been provided for the General and Morganza to the Gulf Funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 11-15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 - 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For fiscal year ended June 30, 2017, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$327,557,233. By far, the largest portion of the District's net position (90.8%) reflects its net investment in capital assets (e.g., land, building, equipment, hurricane and flood protection). The District uses these capital assets to provide hurricane and flood protection to the citizens of Terrebonne Parish. Consequently, these assets are not available for future spending. The District's restricted net position amounted to \$18,165,596. Restrictions placed on net position pertain to spending for debt service and capital project spending for the Morganza to the Gulf Project. Unrestricted net amounted to \$11,899,122, following recognition of long-term obligations for other postemployment benefits, \$1,297,468, and the net pension liability of \$3,701,065.

Terrebonne Levee and Conservation District
Condensed Statement of Net Position

	June 30		Dollar Change	Total % Change
	2017	2016		
Current and other assets	\$ 36,755,130	\$ 55,771,865	\$ (19,016,735)	-34.1%
Capital assets	396,820,702	342,678,455	54,142,247	15.8%
Total assets	433,575,832	398,450,320	35,125,512	8.8%
Deferred Outflow of Resources	1,288,943	539,780	749,163	138.8%
Total assets and deferred outflows of resources	434,864,775	398,990,100	35,874,675	9.0%
Long-term liabilities outstanding	91,086,892	92,629,865	(1,542,973)	-1.7%
Other liabilities	13,948,827	14,645,161	(696,334)	-4.8%
Total liabilities	105,035,719	107,275,026	(2,239,307)	-2.1%
Deferred Inflow of Resources	2,271,823	2,223,963	47,860	2.2%
Total liabilities and deferred inflows of resources	107,307,542	109,498,989	(2,191,447)	-2.0%
Net position:				
Net investment capital assets	297,492,515	270,045,467	27,447,048	10.2%
Restricted	18,165,596	7,023,082	11,142,514	158.7%
Unrestricted	11,899,122	12,422,562	(523,440)	4.2%
Total net position	\$ 327,557,233	\$ 289,491,111	\$ 38,066,122	13.1%

Governmental Activities

Governmental activities increased the Terrebonne Levee and Conservation District net position by \$38,066,122. Key elements of this increase are as follows:

Terrebonne Levee and Conservation District Condensed Statement of Changes in Net Position

	For the year ended		Dollar Change	Total % Change
	June 30,			
	2017	2016		
Revenues:				
Taxes	\$ 14,747,479	\$ 15,173,213	\$ (425,734)	-2.8%
Intergovernmental:				
Federal				
CDBG	8,643,807	7,468,394	1,175,413	15.7%
FEMA	25,086	159,336	(134,250)	-84.3%
State of Louisiana -				
State revenue sharing	113,597	114,220	(623)	-0.6%
State reimbursement grants	22,156,815	15,206,369	6,950,446	45.7%
Terrebonne Parish				
Consolidated Government	11,685,100	8,550	11,676,550	100.0%
Miscellaneous				
Interest income	112,382	144,181	(31,799)	-22.1%
Other	(68,783)	172,061	(240,844)	-140.0%
Total revenues	57,415,483	38,446,324	18,969,159	49.3%
Expenses:				
Current:				
General government	202,656	202,254	402	0.2%
Public safety	15,412,923	13,083,148	2,329,775	17.8%
Debt service	3,733,782	3,814,311	(80,529)	-2.1%
Total expenses	19,349,361	17,099,713	2,249,648	13.2%
Increase in net position	38,066,122	21,346,611	16,719,511	78.3%
Net position beginning of year	289,491,111	268,144,500	21,346,611	8.0%
Net position end of year	<u>\$ 327,557,233</u>	<u>\$ 289,491,111</u>	<u>\$ 38,066,122</u>	13.1%

As noted earlier, the District's revenue increased \$18,969,159. The increase in revenues was lead by increases of \$11,676,550 in drawdowns of the proceeds of ¼ cent sales tax collected by the Parish. State reimbursement grants for the HNC lock, floodgates and reaches G-2 and E increased state reimbursement grants by \$6,950,446. Federal CDBG funds passed through the Parish increased \$1,175,413.

Total expenses increased by \$2,249,648 or 13.2%. Public safety expenses primarily accounted for the increase. Within the public safety category, the increases were primarily in non-cash expenses such as depreciation, \$1,565,582, and long-term accruals for unfunded pension liabilities and retiree health insurance, \$438,481 and \$55,865, respectively. In addition, the District elected to pre-pay several insurance policies for the 2017-2018 policy year resulting in an overall increase in insurance expense of \$74,850.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,568,806 a decrease of \$18,360,562 in comparison with the prior year. The unassigned fund balance is \$2,403,210 and \$18,165,596 is restricted to indicate that it is not available for discretionary spending because it has already been restricted for capital projects (Morganza-to-the-Gulf) and debt service.

Budgetary Highlights

Major differences between the original General Fund budget and the final amended General Fund budget were as follows:

Revenues

- Increase of \$158,242 in ad valorem collections to reflect the collections made during the year.
- Decrease in state reimbursement grants by \$50,000 to reflect the lack of state funding.

Expenditures

- Decrease of \$118,171 in personal services to reflect anticipated changes made in employees during the year.
- Increase of \$109,450 in insurance due to prepayment of premiums.
- Increase of \$48,225 in repairs and maintenance to reflect repairs needed during the year.

During the year, General Fund revenues and expenditures exceeded budgetary estimates. While not legally required to do so, the District prepares an annual budget for the Morganza to the Gulf Capital Projects Fund. During the year anticipated capital outlay on the Morganza to the Gulf project was less than anticipated and resulted in budget decreases in expenditures of \$46,006,784. For the year ended June 30, 2017, capital project fund revenues were less than budgetary estimates while expenditures exceeded the related budgeted amounts.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$396,820,702 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, and hurricane and flood protection (see table on next page).

	<u>June 30,</u>		<u>Dollar Change</u>	<u>Total % Change</u>
	<u>2017</u>	<u>2016</u>		
Land	\$ 121,461	\$ 121,461	\$ -	-
Construction in progress	379,138	310,062	69,076	22.3%
Building	598,050	284,465	313,585	110.2%
Equipment	1,886,125	2,288,511	(402,386)	-17.6%
Hurricane and flood protection	393,835,928	339,673,956	54,161,972	15.9%
Totals	<u>\$ 396,820,702</u>	<u>\$ 342,678,455</u>	<u>\$ 54,142,247</u>	<u>15.8%</u>

Major capital asset events during the current fiscal year included the following:

- Construction on the following: Morganza to the Gulf reaches and projects: Upgrades to the Houma Navigational Canal Structure, maintenance to Lower Reach F, and resurfacing of Gibson barge gate.
- Purchase of three vehicles.
- Purchase of various shop equipment.
- Engineering, design and real estate acquisition associated with the various features of the Morganza to the Gulf Hurricane Protection Project.

Additional information on the District's capital assets can be found in the Note 5 to the financial statements.

Long-term Obligations

At June 30, 2017, the District had \$82,230,000 of public improvement sales tax bonds outstanding after principal payments of \$2,265,000 during 2017. In addition, the District recognized a net pension liability of \$3,701,065 as its proportionate share of the unfunded pension liability of the Louisiana State Employees Retirement System as of June 30, 2017. Also the District has recognized \$1,297,468 in obligations for its other postemployment benefits. More detailed information about the District's long-term obligations is presented in Note 7, Exhibit F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Commissioners of the District considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

- The ad valorem tax revenue budgeted represents the estimated amount of the November 2017 assessment, which the District will receive, for the most part, in January 2018.
- Sales and use tax revenue is budgeted at the approximate revenue amounts reported in the year ended June 30, 2017.
- A decrease in revenues has been budgeted to reflect the anticipated decrease in reimbursable grants from state sources.
- Drawdowns of ¼% sales and use tax proceeds held by the Terrebonne Parish Consolidated Government is budgeted on an as needed basis.
- Interest revenues have been budgeted with an anticipation of a decrease in investment balances.
- An increase in hurricane and flood protection expenditures is expected largely due to the construction on the Morganza to the Gulf Hurricane Protection Project.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Terrebonne Levee and Conservation District, 220-A Clendenning Road, Houma, Louisiana 70363.

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**Terrebonne Levee and Conservation District**

June 30, 2017

	General Fund	Morganza to the Gulf Fund	Debt Service Fund	Total	Adjustments (Exhibit B)	Statement of Net Position
Assets						
Cash	\$ 6,894,213	\$ 11,778,275	\$ 118,850	\$ 18,791,338		\$ 18,791,338
Investments	-	4,588,530	2,994,675	7,583,205		7,583,205
Receivables - taxes						
Ad valorem	92,082	-	-	92,082		92,082
Sales and use	-	896,211	-	896,211		896,211
Due from other governmental units	18,184	9,373,805	-	9,391,989		9,391,989
Due from other funds	-	1,015,003	530,000	1,545,003	\$ (1,545,003)	-
Security deposits	305	-	-	305	-	305
Capital assets -						
Non-depreciable	-	-	-	-	500,599	500,599
Depreciable, net of accumulated depreciation	-	-	-	-	396,320,103	396,320,103
Total assets	7,004,784	27,651,824	3,643,525	38,300,133	395,275,699	433,575,832
Deferred Outflows of Resources						
Pensions	-	-	-	-	1,288,943	1,288,943
Total assets and deferred outflows of resources	\$ 7,004,784	\$ 27,651,824	\$ 3,643,525	\$ 38,300,133	396,564,642	434,864,775
Liabilities						
Accounts payables and accrued expenditures	\$ 115,808	\$ 8,293,700	\$ -	\$ 8,409,508	-	8,409,508
Liability for work completed on contracts	203,266	4,836,053	-	5,039,319	-	5,039,319
Due to other governments	500,000	-	-	500,000	-	500,000
Due to other funds	1,545,003	-	-	1,545,003	(1,545,003)	-
Non-current liabilities:						
Due within one year	-	-	-	-	2,355,000	2,355,000
Due after one year	-	-	-	-	88,731,892	88,731,892
Total liabilities	2,364,077	13,129,753	-	15,493,830	89,541,889	105,035,719
Deferred Inflows of Resources						
Ad valorem	2,237,497	-	-	2,237,497	-	2,237,497
Pensions	-	-	-	-	34,326	34,326
Total deferred inflows of resources	2,237,497	-	-	2,237,497	34,326	2,271,823
Total liabilities and deferred inflows of resources	4,601,574	13,129,753	-	17,731,327	89,576,215	107,307,542
Fund Balances/Net Position						
Fund balances:						
Restricted	-	14,522,071	3,643,525	18,165,596	(18,165,596)	-
Unassigned	2,403,210	-	-	2,403,210	(2,403,210)	-
Total fund balances	2,403,210	14,522,071	3,643,525	20,568,806	(20,568,806)	-
Total liabilities and fund balances	\$ 7,004,784	\$ 27,651,824	\$ 3,643,525	\$ 38,300,133		
Net position:						
Net investment in capital assets					297,492,515	297,492,515
Restricted - debt service					3,643,525	3,643,525
Restricted - Morganza to the Gulf Project					14,522,071	14,522,071
Unrestricted					11,899,122	11,899,122
Total net position					\$ 327,557,233	\$ 327,557,233

See notes to financial statements.

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

Terrebonne Levee and Conservation District

June 30, 2017

Fund Balances - Governmental Fund		\$ 20,568,806
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 471,892,174	
Less accumulated depreciation	<u>(75,071,472)</u>	396,820,702
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		
		1,288,943
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(85,949,991)	
Other postemployment benefit obligation	(1,297,468)	
Net pension liability	(3,701,065)	
Compensated absences payable	<u>(138,368)</u>	(91,086,892)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in governmental funds.		
		<u>(34,326)</u>
Net Position of Governmental Activities		<u>\$ 327,557,233</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES AND STATEMENT OF
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

	General Fund	Morganza to the Gulf Fund	Debt Service Fund	Total	Adjustments (Exhibit D)	Statement of Activities
Revenues						
Taxes						
Ad valorem	\$ 4,546,960			\$ 4,546,960		\$ 4,546,960
Sales and use	-	\$ 10,200,519		10,200,519		10,200,519
Intergovernmental:						
Federal:						
CDBG	-	8,643,807		8,643,807		8,643,807
FEMA	-	25,086		25,086		25,086
State of Louisiana:						
State revenue sharing	113,597	-		113,597		113,597
State reimbursement grants	19,947	22,136,868		22,156,815		22,156,815
Terrebonne Parish Consolidated Government	-	11,685,100		11,685,100		11,685,100
Miscellaneous:						
Investment earnings	19,055	77,539	\$ 15,788	112,382		112,382
Other	169	-	-	169	\$ (68,952)	(68,783)
Total revenues	<u>4,699,728</u>	<u>52,768,919</u>	<u>15,788</u>	<u>57,484,435</u>	<u>(68,952)</u>	<u>57,415,483</u>
Expenditures/Expenses						
Current:						
General government:						
Ad valorem tax adjustment	51,598	-	-	51,598	-	51,598
Ad valorem tax deductions	151,058	-	-	151,058	-	151,058
Total general government	<u>202,656</u>	<u>-</u>	<u>-</u>	<u>202,656</u>	<u>-</u>	<u>202,656</u>
Public safety:						
Personal services:						
Salaries and related benefits	2,196,369	-	-	2,196,369	280,581	2,476,950
Supplies and materials:						
Office and shop supplies	18,510	58,667	-	77,177	-	77,177
Fuel for heavy equipment	-	110,193	-	110,193	-	110,193
Other services and charges:						
Disaster recovery	61,385	56,824	-	118,209	-	118,209
Insurance	300,717	-	-	300,717	-	300,717
Occupancy	51,722	-	-	51,722	-	51,722
Professional services	138,187	75,998	-	214,185	-	214,185
Travel and meals	18,328	-	-	18,328	-	18,328
Miscellaneous and other	23,454	138,524	3,149	165,127	-	165,127
Repairs and maintenance	84,878	562,261	-	647,139	-	647,139
Depreciation	-	-	-	-	11,233,176	11,233,176
Total public safety	<u>2,893,550</u>	<u>1,002,467</u>	<u>3,149</u>	<u>3,899,166</u>	<u>11,513,757</u>	<u>15,412,923</u>
Debt Service:						
Principal payments	-	-	2,265,000	2,265,000	(2,265,000)	-
Interest payments	-	-	4,033,800	4,033,800	(300,018)	3,733,782
Total debt service	<u>-</u>	<u>-</u>	<u>6,298,800</u>	<u>6,298,800</u>	<u>(2,565,018)</u>	<u>3,733,782</u>
Capital outlay:						
General operations	55,835	460,923	-	516,758	(516,758)	-
Hurricane and flood protection	204,938	64,797,724	-	65,002,662	(65,002,662)	-
Total capital outlay	<u>260,773</u>	<u>65,258,647</u>	<u>-</u>	<u>65,519,420</u>	<u>(65,519,420)</u>	<u>-</u>
Total expenditures/expenses	<u>3,356,979</u>	<u>66,261,114</u>	<u>6,301,949</u>	<u>75,920,042</u>	<u>(56,570,681)</u>	<u>19,349,361</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,342,749</u>	<u>(13,492,195)</u>	<u>(6,286,161)</u>	<u>(18,435,607)</u>	<u>56,501,729</u>	<u>38,066,122</u>
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	51,270	23,775	-	75,045	(75,045)	-
Transfers in	-	-	7,420,000	7,420,000	(7,420,000)	-
Transfers out	(889,631)	(6,530,369)	-	(7,420,000)	7,420,000	-
Total other financing sources	<u>(838,361)</u>	<u>(6,506,594)</u>	<u>7,420,000</u>	<u>75,045</u>	<u>(75,045)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) over Expenditures	504,388	(19,998,789)	1,133,839	(18,360,562)	18,360,562	-
Change in Net Position	-	-	-	-	38,066,122	38,066,122
Fund Balances/Net Position						
Beginning of year	<u>1,898,822</u>	<u>34,520,860</u>	<u>2,509,686</u>	<u>38,929,368</u>	<u>250,561,743</u>	<u>289,491,111</u>
End of year	<u>\$ 2,403,210</u>	<u>\$ 14,522,071</u>	<u>\$ 3,643,525</u>	<u>\$ 20,568,806</u>	<u>\$ 306,988,427</u>	<u>\$ 327,557,233</u>

See notes to financial statements.

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

Net Change in Fund Balances - Governmental Fund \$ (18,360,562)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 65,519,420	
Depreciation expense	<u>(11,233,176)</u>	
Excess of capital outlay over depreciation expense		54,286,244

The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins and dispositions, is to decrease net position. (143,997)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however has an effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments		2,265,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premiums	300,018	
Other postemployment benefits	(241,860)	
Pension expense	(32,028)	
Compensated absences	<u>(6,693)</u>	<u>19,437</u>

Change in Net Position of Governmental Activities \$ 38,066,122

See notes to financial statements.

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND**

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes-ad valorem	\$ 4,200,000	\$ 4,358,242	\$ 4,344,304	\$ (13,938)
Intergovernmental:				
State of Louisiana:				
State revenue sharing	111,000	115,946	113,597	(2,349)
Reimbursement grants	50,000	-	19,947	19,947
Miscellaneous:				
Interest	15,000	14,443	19,055	4,612
Other	-	-	169	169
Total revenues	<u>4,376,000</u>	<u>4,488,631</u>	<u>4,497,072</u>	<u>8,441</u>
Expenditures				
Current:				
Public safety:				
Personal services:				
Salaries and related benefits	2,237,861	2,119,690	2,196,369	(76,679)
Supplies and materials:				
Office and shop supplies	10,000	18,350	18,510	(160)
Other services and charges:				
Disaster Recovery	-	-	61,385	(61,385)
Insurance	225,000	334,450	300,717	33,733
Professional services	65,000	137,252	51,722	85,530
Occupancy	48,000	48,432	138,187	(89,755)
Travel and meals	18,500	17,055	18,328	(1,273)
Miscellaneous and other	43,350	56,967	23,454	33,513
Repairs and maintenance	15,000	63,225	84,878	(21,653)
Total public safety	<u>2,662,711</u>	<u>2,795,421</u>	<u>2,893,550</u>	<u>(98,129)</u>
Capital outlay:				
General operations	23,750	64,468	55,835	8,633
Hurricane and flood protection	130,000	98,131	204,938	(106,807)
Total capital outlay	<u>153,750</u>	<u>162,599</u>	<u>260,773</u>	<u>(98,174)</u>
Total expenditures	<u>2,816,461</u>	<u>2,958,020</u>	<u>3,154,323</u>	<u>(196,303)</u>
Excess of Revenues over Expenditures	<u>1,559,539</u>	<u>1,530,611</u>	<u>1,342,749</u>	<u>(187,862)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	51,413	51,270	(143)
Transfers out	(422,600)	(889,631)	(889,631)	-
Total other financing sources (uses)	<u>(422,600)</u>	<u>(838,218)</u>	<u>(838,361)</u>	<u>(143)</u>
Excess of Revenues and Other Financing Sources over Expenditures	<u>1,136,939</u>	<u>692,393</u>	<u>504,388</u>	<u>(188,005)</u>
Fund Balance				
Beginning of year	<u>888,165</u>	<u>1,898,822</u>	<u>1,898,822</u>	<u>-</u>
End of year	<u>\$ 2,025,104</u>	<u>\$ 2,591,215</u>	<u>\$ 2,403,210</u>	<u>\$ (188,005)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Terrebonne Levee and Conservation District**

June 30, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Terrebonne Levee and Conservation District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The District was created on July 1, 1997 by enactment of House Bill No. 1396 Regular Session, as a political subdivision of the State of Louisiana (the State). The District consists of all lands in Terrebonne Parish. The management and control of the District is vested in a Board of Commissioners (the Board) appointed by the Governor from a list of nominees submitted by local state legislators, local government officials and civic groups. In addition to any other powers and duties provided by law, the primary duty of the Board shall be to establish, construct, operate and maintain flood control works as they relate to hurricane protection, tidewater flooding, saltwater intrusion and conservation. The Board has the authority to issue bonds and levee sales tax and ad valorem taxes on all property within the District.

The Governor is responsible for appointing the District's Board of Commissioners, but the State's accountability for the District is limited to making these appointments. The District is legally separate and fiscally independent of the State.

Because of fiscal interdependency the District is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2017.

GASB No. 14, *The Financial Reporting Entity*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are shown on the following page:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (continued)

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the District and the potential component unit.
4. Imposition of will by the District on the potential component unit.
5. Financial benefit/burden relationship between the District and the potential component unit.

The District has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

b) Basis of Presentation

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements (individual major funds).

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Fund Financial Statements:

The fund financial statements place emphasis on the major funds in governmental categories. The daily accounts and operations of the District are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Governmental resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (continued)

The following are the governmental funds of the District:

General Fund - The General Fund is the general operating fund of the District. It is used to account for and report all financial resources except those that are required to be accounted and reported for in another fund. The General Fund is always a major fund.

Morganza to the Gulf Fund - The Morganza to the Gulf Fund is used to account for and report the proceeds from Public Improvement Sales Tax Bonds, Series 2013, drawdowns of a dedicated ¼% sales tax from the Parish, a dedicated ½% sales tax levied by the District, expenditures and related reimbursements for the Morganza to the Gulf hurricane protection project. The purpose of the Morganza to the Gulf Fund is for the construction and maintenance of a hurricane protection system. Sales tax and drawdowns from the Parish are legally restricted to expenditures for the Morganza to the Gulf hurricane protection project. The Morganza to the Gulf Fund is a capital projects fund and is reported as a major fund.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for debt principal, interest and related costs. The Debt Service Fund is reported as a major fund.

c) Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and the related state revenue sharing (inter-governmental revenue) are recognized in the year for which they are levied. Ad valorem tax adjustments and deductions are recognized as expenses for the year in which the related property tax revenue is recognized.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current position. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Nonexchange transactions, in which the District receives value without giving value in return, include sales tax, property tax and grants. Grant revenue from the Federal government, the State of Louisiana and Terrebonne Parish Consolidated Government, is recognized in the fiscal year in which all eligibility requirements have been satisfied. Ad valorem taxes and the related state revenue sharing (intergovernmental revenue) are recorded as revenue in the period for which levied. Thus, the 2016 property taxes which are being levied to finance expenditures for the 2017 calendar year will be recognized as revenue in the fiscal years ending June 30, 2017 and 2018. Accordingly, approximately one half of the 2016 tax levy is recorded as deferred inflows of resources in the General Fund at June 30, 2017. Ad valorem tax adjustments represent unpaid taxes that are recognized as general government expenditures when the related tax levy is recognized as revenue. Ad valorem tax deductions represent withheld amounts to fund expenditures of the Terrebonne Parish Assessor and are also recognized as general government expenditures when the related tax revenue is recognized. Sales and use taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Miscellaneous revenues are recorded as revenues when received in cash by the District or an intermediary collecting agency because they are generally not measurable or available until actually received.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (continued)

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due and (2) claims and judgments, compensated absences and other postemployment benefits are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of cost such as depreciation are not recognized in the governmental funds.

d) Use of Estimates

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

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board adopted a budget for the District's General Fund. The Board also adopted an annual budget for its capital projects fund, Morganza to the Gulf. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budgets twice during the year ended June 30, 2017. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The budget practices of the District are subject to the provisions of R.S. 38:318.

The General Fund budget and the Morganza to the Gulf budget are adopted on the modified accrual basis.

f) Accounts Receivable

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and disallowed costs due from grants are recognized as reductions in revenue at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Assets

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

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Hurricane protection infrastructure	40 years
Building	40 years
Equipment, furniture and fixtures	5 - 20 years

Fund Financial Statements:

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

h) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position and Governmental Fund Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Long-Term Obligations

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist of public improvement bonds, accrued compensated absences - annual leave, other postemployment benefits and net pension liability.

Fund Financial Statements:

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The obligation proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Expenses for other postemployment benefits and retirement are recognized when the obligation for payment is incurred.

j) Compensated Absences

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. However, unused sick leave is not paid upon termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

In the government-wide financial statements, the net change in accumulated annual leave liability is recorded as an expense and the total a long-term obligation. In accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, no compensated absences liability is recorded at June 30, 2017 in the governmental fund-type financial statements.

k) Other Postemployment Benefits

GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, requires governments to accrue postemployment benefits to the extent it is probable the employer will provide benefits conditioned on the employees' retirement. The District has recorded liabilities for postemployment health care and life insurance benefits as of June 30, 2017.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Other Postemployment Benefits (continued)

In the government-wide financial statements the other postemployment benefits liability is recorded as long-term obligations.

In the governmental fund type fund financial statements other postemployment benefit expenditures are recognized in the amount contributed to the plan or expected to be liquidated with expendable available financial resources. Expendable available financial resources generally refer to other postemployment benefits payments due and payable as of the end of the year.

l) Pensions

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

m) Interfund Transactions

In the governmental fund financial statements, interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables (due from) and payables (due to) as appropriate. Transfers represent permanent reallocation of resources between funds. In other words, they are not expected to be repaid. For reporting purposes, all interfund transactions between individual governmental funds have been eliminated in the government-wide financial statements. At June 30, 2017, the District did not have any non-current interfund loans/borrowing arrangements. Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fund Equity

Government-wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.
- b. Restricted net position – Consists of assets less liabilities with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to maintain intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.
- d. Assigned – amounts that do not meet the criteria to be classified as either restricted or committed but are intended to be used for specific purposes. Assignments may be established, modified or rescinded through a majority vote of the Board or by the Executive Director or his nominee.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fund Equity

- e. Unassigned – all other spendable amounts.

For the classification of governmental fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available. The District's fund balance was classified as restricted and unassigned as of June 30, 2017.

o) New GASB Statements

During the year ending June 30, 2017, the District implemented the following GASB Statements:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans.*" The Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria and follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments and also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement did not affect the District's financial statements.

Statement No. 77, "*Tax Abatement Disclosures*" defines tax abatements as reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This Statement requires disclosures of the government's own tax abatement agreements and those tax abatement agreements of other governments that reduce the government's revenue. This Statement did not affect the District's financial statements.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement did not affect the District's financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*" establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This Statement did not affect the District's financial statements.

Statement No. 80, "*Blending Requirement for Certain Component Units*" improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This requirement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the District's financial statements.

Statement No. 82, "*Pension Issues*" addresses several issues raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*," No. 68, "*Accounting and Financial Reporting for Pensions*," and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*" Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions.*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 81, "*Irrevocable Split Interest Agreements*" provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 85, "*Omnibus 2017*." On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "*Omnibus 2017*" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topics covered, GASB is allowing the option of early implementation for single topics. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits:

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk which requires compliance with state law. As of June 30, 2017, \$18,592,618 of the District's bank balance of \$19,092,618 (with a report value of \$18,790,868) was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in the District's name by state statutes.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2017, deposits in excess of the FDIC insurance were collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. GASB, which promulgates the standards for accounting and financial reporting for state and local governments, considers these deposits subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

State statutes authorize the District to invest in obligations of the U.S Treasury, agencies, and instrumentalities; guaranteed investment contracts and investment grade (A-1/P1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years		
		<1	1 - 2	>2
Certificates of Deposit	\$ 250,363	\$ 250,363	\$ -	\$ -
Federal Home Loan Bank Notes	347,288	-	347,288	-
Federal Home Loan Mortgage Corporation	1,198,216	1,198,216	-	-
Federal National Mortgage Association (FNMA) Notes	1,447,276	1,098,365	348,911	-
United States Treasury T-Bill	4,340,062	2,495,142	1,844,920	-
Totals	<u>\$ 7,583,205</u>	<u>\$ 5,042,086</u>	<u>\$ 2,541,119</u>	<u>\$ -</u>

Interest rate risk is the risk that the District is exposed to fair value losses from increasing interest rates. The District does not have a formal policy limiting maturities that would help manage interest rate risk. The above table includes the District's investment portfolio. \$5,042,086 of the portfolio balance of \$7,583,205, matures within one year and the remaining balance of \$2,541,119 matures within two years, limiting the District's exposure to interest rate risk.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk for investments is the risk that, in the event of bank failure, the District 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's investment policy for custodial risk follows the investment policy statutes of the state.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy for credit risk follows the investment policy in state statutes. \$250,363 of the District's investments are certificates of deposit which are covered by FDIC insurance and the remaining \$7,332,842 are U.S. government securities which are not considered to have custodial risk.

The District's investment policy places no limit on the amount the District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. government are exempt from concentration of credit risk disclosures.

Certain cash and investments of the District are legally restricted for specified purposes. The major types of restrictions at June 30, 2017 were (a) those imposed by revenue source (i.e. sales tax), (b) debt service funds and (c) unspent debt proceeds.

A reconciliation of deposits and investments as shown on the Statement of Net Position is as follows:

Cash on hand	\$	470
Reported amount of deposits		18,790,868
Reported amount of investments		<u>7,583,205</u>
Totals		<u>\$ 26,374,543</u>
Cash and cash equivalents	\$	18,791,338
Investments		<u>7,583,205</u>
Totals		<u>\$ 26,374,543</u>

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2016. Taxes are due and payable

Note 3 - PROPERTY TAXES (Continued)

December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended June 30, 2017 was \$4.89 per \$1,000 of assessed valuation on property within Terrebonne Levee and Conservation District for the purpose of acquiring, constructing, maintaining and operating hurricane protection facilities within the District.

As indicated in Note 1c), taxes levied November 1, 2016 are used to fund expenditures in calendar year 2017, therefore, one half of the 2016 tax levy is recognized as revenues in the fiscal year ended June 30, 2017 and one half in the year ending June 30, 2018. The one half of the 2016 tax levy and related state revenue sharing to be recognized as revenues in the fiscal year ending June 30, 2018 amounted to \$2,237,497 and is reported as deferred inflows of resources in the General Fund as of June 30, 2017.

Note 4 - DUE TO AND FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 2017 consisted of the following:

	General Fund	Morganza to the Gulf Fund
State of Louisiana:		
Department of Transportation and Development		\$ 1,475,000
Coastal Protection and Restoration Authority	\$ 18,184	4,734,690
Terrebonne Parish Consolidated Government:		
Pass through CDBG grants	-	2,297,017
Sales and use tax	-	867,098
Totals	\$ 18,184	\$ 9,373,805

Amounts due to other governmental units at June 30, 2017 consisted of the following:

	General Fund
State of Louisiana - Coastal Protection and Restoration Authority	\$ 500,000

The amount due to the state is for a short-term loan from the Louisiana State Coastal Protection and Restoration Authority for assistance in meeting expenditures incurred during the 2011 High River Flood Threat. The loan was for \$500,000, non-interest bearing and is due upon demand by the state.

Note 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 121,461	\$ -	\$ -	\$ 121,461
Construction in progress	310,062	377,538	(308,462)	379,138
Total capital assets not being depreciated	<u>431,523</u>	<u>377,538</u>	<u>(308,462)</u>	<u>500,599</u>
Capital assets being depreciated:				
Office building	363,481	327,490	-	690,971
Equipment, furniture and fixtures	4,863,854	120,192	(416,768)	4,567,278
Hurricane and flood protection system infrastructure	401,130,664	65,002,662	-	466,133,326
Total capital assets being depreciated	<u>406,357,999</u>	<u>65,450,344</u>	<u>(416,768)</u>	<u>471,391,575</u>
Less accumulated depreciation for:				
Office building	(79,016)	(13,905)	-	(92,921)
Equipment, furniture and fixtures	(2,575,343)	(378,581)	272,771	(2,681,153)
Hurricane and flood protection system infrastructure	(61,456,708)	(10,840,690)	-	(72,297,398)
Total accumulated depreciation	<u>(64,111,067)</u>	<u>(11,233,176)</u>	<u>272,771</u>	<u>(75,071,472)</u>
Total capital assets being depreciated, net	<u>342,246,932</u>	<u>54,217,168</u>	<u>(143,997)</u>	<u>396,320,103</u>
Total capital assets, net	<u>\$ 342,678,455</u>	<u>\$ 54,594,706</u>	<u>\$ (452,459)</u>	<u>\$ 396,820,702</u>

Construction in progress primarily consists of the cost of modifications to a marsh buggy that was not in operation as of June 30, 2017.

Depreciation expense amounted to \$11,233,176 and was charged to public safety activities during the year ended June 30, 2017.

Note 5 - CHANGES IN CAPITAL ASSETS (Continued)

Construction commitments

The District has active construction projects as of June 30, 2017. At year end the District's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Bayou 4 Point Ramp	\$ 255,582	\$ 556,408
Falgout Canal Levee	16,974,526	7,842,112
Foh's Canal Bridge	331,680	31,797
HNC Dry Dock and Upgrades	1,412,330	49,792
PAC Floodgate	9,516,478	3,219,896
PAC J-1	286,376	1,911,524
PACJ-1 Flood Risk	278,096	30,891
PAC J-2	1,605,455	16,012
Reach E	7,068,606	675,141
Reach G-2 Part B	13,450,912	850,085
Reach G-2/H- 1 Mitigation	4,851,383	668,255
Reach I Maintenance	1,068,060	1,186,940
Reach J-3	5,076,163	702,875
Receiving Structure Resurfacing	338,250	5,500
Totals	<u>\$ 62,513,897</u>	<u>\$ 17,747,228</u>

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures at June 30, 2017 consisted of the following:

	General Fund	Morganza to the Gulf Fund
Vendors	\$ 45,178	\$ 8,293,700
Accrued salaries and wages	70,630	-
Totals	<u>\$ 115,808</u>	<u>\$ 8,293,700</u>

Note 7 - LONG-TERM OBLIGATIONS

The District issued \$91,190,000 of Public Improvement Sales Tax Bonds, Series 2013 during the year ended June 30, 2014 for the purpose of constructing hurricane protection infrastructure (Morganza to the Gulf of Mexico Project). The bonds shall bear interest at an average rate of 4.78%, and are repayable through July 1, 2038 primarily from sales tax revenues. As of June 30, 2017, the principal and interest payment due July 1, 2017 was held by the bond paying agent and was considered paid in the financial statements.

Note 7 - LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the changes in long-term obligations of the District for the year ended June 30, 2017:

	Payable July 1, 2016	Obligations Retired	New Issues	Payable June 30, 2017
Public improvement bonds	\$ 84,495,000	\$ 2,265,000	\$ -	\$ 82,230,000
Unamortized bond premium	4,020,009	300,018	-	3,719,991
Accumulated unpaid annual leave	131,675	-	6,693	138,368
Net pension liability	2,927,574	-	773,491	3,701,065
Other postemployment benefits	1,055,608	16,329	258,189	1,297,468
Total	\$ 92,629,866	\$ 2,581,347	\$ 1,038,373	\$ 91,086,892

Compensated absences, other postemployment benefits and net pension liability are described in Notes 1j, 8 and 9, respectively.

The annual requirements to amortize all long-term debt outstanding at June 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 2,355,000	\$ 3,943,200	\$ 6,298,200
2019	2,470,000	3,825,450	6,295,450
2020	2,595,000	3,701,950	6,296,950
2021	2,725,000	3,572,200	6,297,200
2022	2,860,000	3,435,950	6,295,950
2023-2027	16,570,000	14,919,800	31,489,800
2028-2032	20,690,000	10,796,363	31,486,363
2033-2038	31,965,000	5,821,000	37,786,000
Total	\$ 82,230,000	\$ 50,015,913	\$ 132,245,913

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

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

The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an agent multiple-employer plan (within the meaning of paragraph 22 of GASB 45) for financial reporting purposes. Medical benefits are provided to employees upon actual retirement based on the following retirement eligibility (DROP entry) provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service.

Life insurance coverage under the OGB program is available to retirees by election and the OGB blended rate (active and retired). The employer pays 50% of the cost of the retiree life insurance. While GASB No. 45 requires the use of "unblended" rates, we have used the OGB life insurance rates. Although they are "blended" rates, the blending is calculated

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

across all covered groups and the blended rates are extraordinarily high; indeed, they are higher than the estimated "unblended" table which we considered using. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance. Insurance coverage amounts are reduced at age 65 and again at age 70 according to the OGB plan provisions.

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

Fund Policy. Until fiscal year ending June 30, 2006, the District recognized the cost of providing postemployment medical and life insurance benefits (the District's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the postemployment benefits on a pay-as-you-go basis. Effective with the fiscal year beginning July 1, 2006, the District implemented GASB Codification Section P50, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (GASB Codification Section P50).

In fiscal year ending June 30, 2017, the District's portion of health care and life insurance funding cost for retired employees totaled \$16,329. These amounts were applied toward the Net Other Postemployment Benefit (OPEB) Obligation.

Annual Required Contribution. The District's ARC is an amount actuarially determined in accordance with GASB No. 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the postemployment benefits. The ARC has been calculated assuming the OGB alternative Medicare Advantage plan will be adopted by 50% of current and future retirees. The total ARC for the fiscal year beginning July 1, 2016 is \$277,011, as set forth below:

Annual required contribution	\$ 277,011
Interest on net OPEB obligation	42,224
Adjustment to ARC	<u>(61,046)</u>
Annual OPEB cost	258,189
Contribution made	<u>(16,329)</u>
Increase in net OPEB obligation	241,860
Beginning of year	<u>1,055,608</u>
End of year	<u><u>\$ 1,297,468</u></u>

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of June 30, 2017 are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/15	\$ 201,478	6.50%	\$ 869,613
6/30/16	\$ 201,478	6.50%	\$ 1,055,608
6/30/17	\$ 258,189	6.32%	\$ 1,297,468

Funded Status and Funding Progress. In the fiscal year ending June 30, 2017, the District made no contributions to its postemployment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of July 1, 2016, the most recent valuation, the Actuarial Accrued Liability (AAL) was \$1,655,002, which is defined as that portion, as determined by a particular actuarial cost method (the District uses the Projected Unit Credit Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2017, the entire actuarial accrued liability of \$1,655,002 was unfunded.

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 postemployment 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.

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.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Value of Plan Assets. Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement No. 45.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%. The rates for each age are below:

Age	Percent Turnover
18 - 25	7.0%
26 - 40	6.0%
41 - 54	5.0%
55+	4.0%

Postemployment Benefit Plan Eligibility Requirements. It is assumed that entitlement to benefits will commence at the earliest eligibility to retire. Medical benefits are provided to employees upon actual retirement based on the following retirement eligibility provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service.

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. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

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

Mortality Rate. The 1994 Group Annuity Reserving table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The "State Share" premiums provided are "unblended" rates for active and retired as required by GASB No. 45. The valuation was performed assuming the OGB alternative Medicare Advantage plan will be adopted by 50% of current and future retirees.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Inflation Rate – Included in both the Investment Return Assumption and the Healthcare Cost Trend rates 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.

Note 9 - PENSION PLAN

Plan Description. Employees of the District are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to the LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided. LASERS provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.5% to 3.5% of the average compensation multiplied by the years of creditable service. Members may either retire with full benefits at any age upon completing 30 years of service or at age 60 after completing 10 years of service. Additionally, members may choose to retire with 20 years of service at any age with an actuarially reduced benefit. The State legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. The election to participate in DROP is irrevocable once participation begins. Members with 10 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's compensation and the dependent's relationship to the deceased member. LASERS provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State legislature.

Note 9 - PENSION PLAN (Continued)

Contributions. The employer contribution rate for all employees is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Contribution requirements of active employees, 7.5% if hired before 7/1/2006 and 8% if hired after 6/30/2006, are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401). The District's contractually required composite contribution rate for the year ended June 30, 2017 was 35.80% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contributions to the pension plan from the District were \$385,658 for the year ended June 30, 2017.

Pension Liabilities. At June 30, 2017, the District reported a liability of \$3,701,065 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .04713% which was an increase of .00409% from its proportion measured as of June 30, 2015.

Pension Expense. For the year ended June 30, 2017, the District recognized a pension expense of \$417,686.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,143	\$ 34,326
Net difference between projected and actual earnings on pension plan investments	460,974	-
Changes in proportion and differences between District contributions and proportionate share of contributions	440,168	-
District contributions subsequent to the measurement date	385,658	-
Total	\$ 1,288,943	\$ 34,326

Note 9 - PENSION PLAN (Continued)

The District reported \$385,658 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the year ended June 30th,</u>	<u>Amount</u>
2018	\$ 316,901
2019	262,952
2020	179,144
2021	<u>109,962</u>
Total	<u>\$ 868,959</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years.
Investment Rate of Returns	7.75% per annum.
Inflation Rate	3.0% per annum.
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.
	Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected on a five year (2009 - 2013) experience study of the Sytem's members.

Note 9 - PENSION PLAN (Continued)

Salary Increases

Salary increases were projected based on a 2009 - 2013 experience study of the System's members. The salary increase ranges from 4% to 13% for regular members.

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees and they were deemed not to be substantively automatic.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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 ranges 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 and an adjustment for the effect of rebalancing/diversification. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	-0.24%
Domestic Equity	4.31%
International Equity	5.48%
Domestic Fixed Income	1.63%
International Fixed Income	2.47%
Alternative Investments	7.42%
Global Asset Allocation	2.92%
Total Fund	5.30%

Note 9 - PENSION PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the collective net pension liability using the discount rate of 7.75%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Districts's proportionate share of the collective net pension liability	\$ 4,547,101	\$ 3,701,065	\$ 2,982,200

Note 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

Note 11 - CONTINGENCIES

The District is named as a defendant in legal claims arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of these matters should not materially affect the financial statements of the District.

The District receives funding under grants from various federal and state governmental agencies. The agency grants specify the purpose for which the grant monies are to be used; the grants are subject to audit by the granting agency or its representative.

Note 12 - COMPENSATION OF BOARD MEMBERS

Per Diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal service expenditures of the General Fund. Board members are paid \$117.75 per day, to a maximum of 36 days per year, for board meetings and official business.

The following amounts were paid to Board Members for the year ended June 30, 2017:

<u>Board Member</u>	<u>Number of Days</u>	<u>Per Diem</u>
Anthony Alford, President	21	\$ - *
Tenner Cenac	22	2,590
Carl Chauvin	26	3,062
Walton Daisy	23	2,708
Leward Henry	26	3,062
Troy Johnson	22	2,590
Jack Moore	18	- *
Lee Shaffer	19	2,237
Daniel Walker	25	<u>2,944</u>
Total		<u>\$ 19,193</u>

* Anthony Alford and Jack Moore waived their right to receive a per diem.

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 27, 2017 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN

Terrebonne Parish Levee and Conservation District

June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	-	\$ 793,185	\$ 793,185	0.00%	\$ 653,487	121.4%
7/1/2013	-	1,146,446	1,146,446	0.00%	1,096,484	104.6%
7/1/2016	-	1,655,002	1,655,002	0.00%	1,250,255	132.4%

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Terrebonne Levee and Conservation District

June 30, 2017

	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.04713%	0.04304%
District's proportionate share of the net pension liability	\$ 3,701,065	\$ 2,927,574
District's covered-employee payroll	\$ 1,010,673	\$ 943,939
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	366.198%	310.144%
Plan fiduciary net position as a percentage of the total pension liability	57.7%	62.7%

SCHEDULE OF DISTRICT CONTRIBUTIONS

Terrebonne Levee and Conservation District

June 30, 2017

	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 385,658	\$ 375,970
Contributions in relation to the contractually required contribution	(385,658)	(375,970)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,077,258	\$ 1,010,673
Contributions as a percentage of covered- employee payroll	35.80%	37.20%

SUPPLEMENTARY INFORMATION

**SCHEDULE OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
MORGANZA TO THE GULF FUND**

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes-sales and use	\$ 4,800,000	\$ 15,701,866	\$ 10,200,519	\$ (5,501,347)
Intergovernmental:				
Federal:				
CDBG	31,900,000	12,125,619	8,643,807	(3,481,812)
FEMA	-	25,086	25,086	-
State of Louisiana:				
State reimbursement grants	28,441,364	21,243,816	22,136,868	893,052
Terrebonne Parish Consolidated Government:				
Sales tax	23,031,654	10,000,000	11,685,100	1,685,100
Miscellaneous:				
Interest	6,000	9,232	77,539	68,307
Other	-	9,692	-	(9,692)
Total revenues	<u>88,179,018</u>	<u>59,115,311</u>	<u>52,768,919</u>	<u>(6,346,392)</u>
Expenditures				
Public safety:				
Supplies and materials	155,000	162,601	168,860	(6,259)
Other services and charges:				
Disaster recovery	-	28,213	56,824	(28,611)
Professional services	72,500	81,345	75,998	5,347
Miscellaneous and other	50,500	126,298	138,524	(12,226)
Repairs and maintenance	2,470,000	1,185,525	562,261	623,264
Total public safety	<u>2,748,000</u>	<u>1,583,982</u>	<u>1,002,467</u>	<u>581,515</u>
Capital outlay:				
General operations	355,272	340,548	460,923	(120,375)
Hurricane and flood protection	111,370,202	66,542,160	64,797,724	1,744,436
Total capital outlay	<u>111,725,474</u>	<u>66,882,708</u>	<u>65,258,647</u>	<u>1,624,061</u>
Total expenditures	<u>114,473,474</u>	<u>68,466,690</u>	<u>66,261,114</u>	<u>2,205,576</u>
Deficiency of Revenues over Expenditures	<u>(26,294,456)</u>	<u>(9,351,379)</u>	<u>(13,492,195)</u>	<u>(4,140,816)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	23,775	23,775
Transfers out	(6,530,369)	(6,530,369)	(6,530,369)	-
Total other financing sources (uses)	<u>(6,530,369)</u>	<u>(6,530,369)</u>	<u>(6,506,594)</u>	<u>23,775</u>
Deficiency of Revenues and Other Financing Sources over Expenditures	<u>(32,824,825)</u>	<u>(15,881,748)</u>	<u>(19,998,789)</u>	<u>(4,117,041)</u>
Fund Balances/Net Position				
Beginning of year	<u>30,638,990</u>	<u>34,520,860</u>	<u>34,520,860</u>	<u>-</u>
End of year	<u>\$ (2,185,835)</u>	<u>\$ 18,639,112</u>	<u>\$ 14,522,071</u>	<u>\$ (4,117,041)</u>

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

Agency Head Name: Reggie Dupre

Purpose	Amount
Salary	\$ 143,546
Benefits - insurance	21,052
Benefits - retirement	51,390
Benefits - other	-
Car allowance	10,800
Vehicle provided by government	-
Per diem	-
Reimbursements	2,441
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-
	<hr/>
	\$ 229,229
	<hr/> <hr/>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**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,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Terrebonne Levee and Conservation District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charges 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. We did identify deficiencies in internal control described in the accompanying schedules of findings and questioned costs that we consider to be material weaknesses. **2017-001.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance of other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of Findings and questioned costs as item 2017-001.

The District's Response to Management Letter Comments

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

Purpose of this Report

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
December 27, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

Compliance

We have audited the compliance of Terrebonne Levee and Conservation District, (the District) a component unit of Terrebonne Parish Consolidated Government, State of Louisiana with the types of compliance requirements described in the *U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal major program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 27, 2017.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**Terrebonne Levee and Conservation District**

For the year ended June 30, 2017

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
<u>Pass-Through Program From Louisiana</u>			
<u>Division of Administration</u>			
<u>Pass Through Program From Terrebonne</u>			
<u>Parish Consolidated Government</u>			
CDBG Disaster Recovery Program Grant Award - Parish Implemented Recovery Program	14.228	CFMS #678958	\$ 8,643,807
U.S. Department of Homeland Security			
<u>Pass-Through Program From Louisiana</u>			
<u>Office of Homeland Security and</u>			
<u>Emergency Preparedness:</u>			
Disaster Grants-			
Public Assistance Hurricane Ike	97.036	FEMA-1792-DR-LA	<u>25,086</u>
Total Expenditures of Federal Awards			<u>\$ 8,668,893</u>

See notes to Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note 3 - RECONCILIATION TO FINANCIAL STATEMENTS

Total Federal Expenditures Reported	\$ 8,668,893
Federal Expenditures Reported in Prior Year	<u>(25,086)</u>
Federal Expenditures Reported in Current Year	<u>\$ 8,643,807</u>

Note 4 - SUBRECIPIENTS

The District did not pass-through any of its federal awards to a subrecipient during the fiscal year.

Note 5 - NON-CASH ASSISTANCE

No Federal awards were expended in the form of non-cash assistance during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major program: unmodified

Any audit findings disclosed that are required to be Reported in accordance with *Uniform Guidance*? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

Section I Summary of Auditor's Results (continued)

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	CDBG Disaster Recovery Program Grant Award - Parish Implemented Recovery Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II Financial Statement Findings

Internal Control

2017-001 Reporting of Cash

Criteria – Internal control over financial reporting requires complete and accurate records of cash accounts.

Condition – The District failed to correctly record multiple cash transactions.

Cause – There was a duplicate recording of a \$700,000 deposit. A \$393,772 cash transaction was recorded in the cash accounts, but the District failed to make the transfer of funds. A \$442,190 cash transaction was incorrectly coded to a non-cash account. A \$57,976 voided check was not recorded as voided in the District's accounting records.

Effect – The District's failure to properly record cash transactions resulted in erroneous reporting of cash balances in interim financial statements.

Recommendation – We recommend that the District perform bank reconciliations in a timely manner and adjust the accounting records to reflect any changes to ensure that the key cash accounts are accurate.

Section III Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2017.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

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

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2016.

No significant deficiencies were reported during the audit for the year ended June 30, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2016.

Section II Internal Control and Compliance Material to Federal Awards

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2016.

Section III Management Letter

2016-001 Recommendation – We recommend the District evaluate their revenue reimbursement procedures for a more efficient billing process for project reimbursement.

Management's Response – Management will evaluate the District's revenue reimbursement procedures and try to implement a more efficient billing process for project reimbursements. **Resolved.**

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

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

Internal Control

2017-001 Recommendation – We recommend that the District perform bank reconciliations in a timely manner and adjust the accounting records to reflect any changes to ensure that the key cash accounts are accurate.

Management's Response – Management will perform bank reconciliations in a timely manner and adjust the accounting records to reflect any changes to ensure that key cash accounts are accurate.

Compliance

No compliance findings material to the District's financial statements were noted during the audit for the year ended June 30, 2017.

Section II Internal Control and Compliance Material to Federal Awards

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2017.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

We have performed the procedures described in Schedule 4, which were agreed to by the Terrebonne Levee and Conservation District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the District of International Certified Professional Accountants. 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 referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 4.

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 these 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 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 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
December 27, 2017.

**SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS OF THE
STATEWIDE AGREED-UPON PROCEDURES**

Terrebonne Levee and Conservation District

For the year ended June 30, 2017

The required procedures and our findings are as follows:

Procedures performed on the District's written policies and procedures:

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District 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 contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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 contain all requirements listed above, except as noted below.

Exceptions: Management's policy on purchasing does not include a provision discussing the preparation and approval process of purchase requisitions. The policy did not include a provision discussing controls in place to ensure compliance with public bid law.

Management's response: Management will consider including a provision discussing the preparation and approval process of purchase requisitions, as well as, a provision discussing controls in place to ensure compliance with public bid law.

c) Disbursements, including processing, reviewing, and approving

Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's written policies and procedures: (Continued)

- d) Receipts, including receiving, recording, and preparing deposits
- Performance: Obtained and read the written policy for receipts, and found it to contain the requirements included above, except as noted below.
- Exceptions: Management's policy on receipts allows for deposits to be made on a weekly basis.
- Management's response: Management will consider including a provision to provide deposit within one day of receipt.
- 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/personnel, and found it to contain all requirements listed above, except as noted below.
- 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 written policy for contracting, and found it did not contain any of the requirements listed above.
- Exceptions: Management's policy for contracting did not include provisions describing the types of services requiring written contracts, standard terms and conditions, legal review, approval process, or monitoring process.
- Management's response: Management will consider adding all of the required provisions to the contracting policy.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- Performance: Obtained and read the written policy for credit cards, and found it to contain all requirements listed above.
- Exceptions: There were no exceptions noted.
- Management's response: Not applicable.

Procedures performed on the District's written policies and procedures: (Continued)

- 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 travel and expense reimbursement policy, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on travel and expense reimbursements does not include dollar thresholds by certain categories of expense.

Management's response: Management will consider adding dollar thresholds by category of expense.

- 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 ethics policy, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on ethics does not include a provision discussing the prohibitions as defined in Louisiana Revised Statute 42:1111-1121.

Management's response: Management will consider adding a provision discussing the prohibitions as defined in Louisiana Revised Statute 42:1111-1121.

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

Performance: Inquired of management as to a debt service policy.

Exceptions: Management confirmed there was no policy for debt service.

Management's response: Management will consider drafting such a policy.

Procedures performed on the District's board:

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 bi-monthly, written minutes of board meetings, as well as advertising for board meetings in the local newspaper.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's board: (Continued)

- 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 and inquired of management as to budget-to-actual comparisons for the General Fund presented to the Board.

Exceptions: The Board is presented with monthly financial statements, but the financial statements do not contain budget-to actual comparisons.

Management's response: Management will consider presenting monthly budget-to-actual comparisons.

- 1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the Board is monitoring the plan.

Performance: Inspected budgets for the General Fund and Morganza to the Gulf Fund presented to the Board. It was noted that the deficit spending anticipated in the Morganza to the Gulf Fund budget was to utilize fund balance.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's 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 in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's bank reconciliations: (Continued)

4. Using the listing provided by management, select all of the District'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 all 3 bank accounts and the investment accounts. Inspected management's documentation for accuracy of bank reconciliations.

Exceptions: The bank account reconciliations are not performed in a timely manner. The monthly investment statements remain unopened and not reconciled.

Management's response: Management will ensure that the bank and investment accounts are reconciled monthly.

- 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 management approvals of each bank reconciliation. The Executive Director reviews and approves the bank statements prior to performance of the bank reconciliations.

Exceptions: There was no written evidence that the bank reconciliations were approved by a member of management or board member not involved in the transactions.

Management's response: Management will ensure that the bank reconciliations are approved in writing by a member of management or board member not involved in the transactions.

- 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 documents for items.

Exceptions: We noted bank accounts with hundreds of right-of-way checks outstanding for longer than 6 months. The reconciliation also contained several items requiring year end audit adjustments for duplicate and erroneous deposit recordings and voided checks.

Management's response: Management will research the reconciling items and take the necessary corrective action.

Procedures performed on the District's 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 in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Using the listing provided by management, select all of the District'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: The District has one location for collections and we performed a walkthrough of the collection process.

Exceptions: The two individuals responsible for collections are not bonded. One individual responsible for collections also prepares the bank reconciliations.

Management's response: Management will consider bonding all employees responsible for collections. Management will also consider appointing a designated employee without cash collection responsibilities to make the deposits.

- 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.

Performance: Inquired of management as to the existence of a formal process to reconcile cash collections to the general ledger by revenue source by a person that is not responsible for cash collections. It was noted that when bank reconciliations are prepared the collections, direct deposits and manual deposits, are tied to the revenue accounts at this time.

Exceptions: The District does not have a formal process of reconciling cash collections to the general ledger.

Management's response: Management will consider implementing a formal process of reconciling cash collections to the general ledger by revenue source by a person that is not responsible for cash collections.

Procedures performed on the District's collections: (Continued)

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

- 1) Using District 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: Because the highest dollar week of cash collections will be the week that ad valorem taxes are received, our test population was based across all revenue accounts, and all months throughout the year. We selected a sample of 25 collection transactions.

Exceptions: On one instance, cash was not deposited within one day of receipt. There were 17 days between the receipt and the deposit.

Management's response: Management will begin to adhere strictly to the policy to deposit all receipts within one day of their actual receipt.

- 2) 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 the journal of cash receipts, deposit slips from the depositing system, and bank statements. 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 District has a process specifically defined (identified as such by the District) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Performance: Inspected policy and inquired of management as to separation of duties.

Exceptions: The District does not have adequate separation of duties in place to determine the completeness of all collections by a person not involved in the collection process.

Management's response: Management will consider implementing a process to determine the completeness of all collections.

Procedures performed on the District's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments):

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

Performance: Obtained the general ledger for the fiscal period and obtained management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. Using the disbursement population from #8 above, select 25 disbursements (or 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: Selected 25 disbursements using a systematic sample based off of check numbers. Requested requisitions, purchase orders and related invoices, as well as inquired of the client.

Exceptions: Purchase requisitions or purchase orders were not used for the disbursements tested.

Management's response: Management will consider implementing a purchase requisition or purchase order system.

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

Performance: Selected 25 disbursements using a systematic sample based off of check numbers. Requested requisitions, purchase orders and related invoices, as well as inquired of the client.

Exceptions: The District does not use a purchase requisition or purchase order system.

Management's response: Management will consider implementing a purchase requisition or purchase order system and documenting approvals by a person who did not initiate the purchase.

Procedures performed on the District's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

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

Performance: Selected 25 disbursements using a systematic sample based off of check numbers. Inspected requisitions, purchase orders and related invoices, as well as inquired of the client. Employees receiving items will review the packing slip for accuracy, and sign the slip to document receipt of good or service.

Exceptions: In one instance, meals for \$49, it was noted that there was no documentation of check copy on file, vendor receipts, or documentation of purpose). In one other instance no invoice was attached to the check copy.

Management's response: Management will ensure that the proper documentation will be maintained for disbursements and that the invoices contain the proper approvals.

10. Using District 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 District's purchasing/disbursement system.

Performance: Inspected procedures and inquired of management as to separation of duties.

Exceptions: The person(s) processing accounts payable also have access to add new vendors.

Management's response: Management will consider limiting the addition of new vendors to persons not involved in accounts payable processing.

11. Using District 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.

Performance: Inspected policy and observed documentation of parties responsible for signing checks and making the final authorization.

Exceptions: The Executive Director and Administrative Manager are each responsible for signing checks and are able to initiate purchases.

Management's response: Management will consider ways to mitigate the lack of segregation of duties.

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 District documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Procedures performed on the District's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

Performance: Inquired of management, as well as observed where the supply of unused checks is held.

Exceptions: The Administrative Manager has signatory authority and access to the supply of unused checks.

Management's response: All checks must have two signatures..

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 a signature stamp or machine kept locked in a safe. Also, inquired if the signed checks are kept locked up prior to being mailed.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's 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.

Performance: Obtained the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Using the listing prepared by management, 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.

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 the 3 active cards on the Captial One account and all active cards on the Fueltrac account.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's credit cards, debit cards, fuel cards, P-cards:
(Continued)

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

Performance: Traced all credit card payments and balances on the credit card statements in order to note if any fees were applied to balances.

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 cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- 1) An original itemized receipt (i.e., identifies precisely what was purchased)
- 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Performance: Traced each transaction to an original itemized receipt, if available.

Exceptions: In two instances on the Capital One account it was noted that an original itemized receipt was not included with the monthly statement. It was noted the District's procedures do not require original receipts on the Fueltec account. Therefore, all 106 transactions in the test month were not supported.

Management's response: Management will ensure that all original itemized receipts will accompany the monthly credit card statements.

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

Performance: Observed documentation of the purpose of each transaction. In most instances the vendor's invoice described the purpose. Confirmed that all meal charges included the names of the individuals participating.

Exceptions: No exceptions were noted in those items with supporting documentation.

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 District'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 the transaction detail to the written disbursement policy and Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's credit cards, debit cards, fuel cards, P-cards:
(Continued)

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

Performance: Inspected all detail transactions and compared them to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's 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 list of all travel and related expense reimbursements.

Management's representation of the listing was confirmed in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

18. Obtain the District'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: Obtained and read the travel and expense reimbursement policy as well as inquired of management.

Exceptions: The policy did not contain the dollar thresholds by category of expense, or any rates to compare with, nor did the policy reference any rates.

Management's response: Management will consider adding dollar thresholds by category of expense that do not exceed the GSA rates.

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:

Procedures performed on the District's travel and expense reimbursements: (Continued)

- 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 District does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Performance: Selected the three employees who incurred the most travel costs during the period to further select the highest travel expenditure reimbursed. Compared expense documents to the GSA rates due to the District's travel and expense reimbursement policy not containing rates. It was noted that the three highest travel expenditures were for hotel stays at conferences.

Exceptions: Two of the three hotel rates per night exceeded the GSA rates.

Management's response: Management will consider establishing rates for travel and expense reimbursements in the District's travel policy. Also, management will ensure that they do not pay for travel expenditures exceeding the GSA rates.

- b) Report whether each expense is supported by:

- 1) 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 expenses to the original itemized receipt with detail of purchase, if available.

Exceptions: In six instances an itemized receipt was not provided to support the travel expenditure.

Management's response: Management will ensure that an original itemized receipt will be kept to support all travel expenditures.

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

Performance: Traced expenses to the original itemized receipt, if available.

Exceptions: When receipts were available, two instances the business/public purpose and individuals participating was not documented for meals. In another instance a business/public purpose was not documented.

Management's response: Management will ensure that the business/public purpose is documented for all travel expenditures. If a travel expenditure is for a meal, management will ensure that the individuals participating is included in the documentation.

Procedures performed on the District's travel and expense reimbursements: (Continued)

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

Performance: Inspected all documents provided for all travel expenditures selected. The District's travel and expense reimbursement policy requires a receipt to be submitted as documentation for the employee's travel. The policy also states that the District will not pay for any traffic or parking violations.

Exceptions: The District paid for a vehicle boot removal fee.

Management's response: Management will ensure that a receipt is available to support all travel expenditures. Also, management will ensure that travel expenditures are not paid for unallowable travel costs.

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

Performance: Inspected the business/public purpose of all travel reimbursements selected, if available, and compared them to Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected documentation of travel expenditures selected for proper approvals.

Exceptions: It was noted that there was no evidence of review or approvals in writing on the travel expense documentation.

Management's response: Management will ensure that the proper review and approvals will be documented, in writing, for all travel expenditures.

Procedures performed on the District's 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: Observed the listing of contracts in effect during the fiscal year from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's contracts: (Continued)

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 auditor). 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 the listing of contract vendors and selected the five contract "vendors" that were paid the most money during the fiscal year. Inspected the written contracts that supports the service arrangements.

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:

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

Performance: For the contracts subject to Louisiana Public Bid Law, compared contract documentation to legal requirements. It was noted that one payment to the contract vendor was not related to any written contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: For the contracts subject to Louisiana Public Bid Law, compared contract documentation to legal requirements. It was noted that one payment to the contract vendor was not related to any written contract.

Exceptions: Not applicable.

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 to agree to the actual expenditures. For contracts that were amended, contract terms were reviewed for scope and dollar amount compliance.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's contracts: (Continued)

- 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 the invoice and compared to the written contract information.

The invoice and related payment complied with the terms of the contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

Performance: Inspected board meeting minutes and confirmed the board approved the contracts requiring board approval.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's payroll and personnel:

22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

Performance: Obtained the listing of employees with their related salaries from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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: Inspected personnel files for the selected employees, as well as, inquired of management as to the existence of employment contracts. None of the selected employees, were under an employment contract.

Exceptions: Each personnel file examined did not contain documentation and approval of prior pay raises or the current rate of pay.

Management's response: Management will ensure that the proper documentation is kept in the personnel files.

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

Performance: Inspected personnel files for the selected employees, as well as, inquired of management as to the existence of documentation supporting pay changes. There were no pay changes during the current year.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Procedures performed on the District's payroll and personnel: (Continued)

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

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Performance: Selected one pay period to test leave taken during that period. Inspected all 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.

Performance: Inspected attendance and leave records for proper approvals.

Exceptions: It was noted the Executive Director's Operations and Administrative Managers' attendance records did not have documentation of attendance and leave approvals.

Management's response: Management will ensure that all attendance records contain the proper approvals.

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

Performance: Inquired and confirmed that the District maintains written leave records for each employee eligible for paid 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 employees that were terminated during the period. Management's representation of completeness confirmed in a separate letter. Obtained the personnel file for the one termination payment during the year, and traced to the employee's final written leave record and daily attendance record. The termination payment was approved by management and was made in strict accordance with the personnel policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's payroll and personnel: (Continued)

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: Inspected payroll reporting forms to confirm that all payments were submitted to the applicable agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's 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 District maintained documentation to demonstrate that required ethics training was completed.

Performance: Inquired of client as to which employees of the District are required to complete the required ethics training.

Exceptions: The District only requires management to complete the ethics training and there was no documentation of completion of the ethics training.

Management's response: Management will ensure that all employees complete the yearly ethics training and maintain documentation of completion.

27. Inquire of management whether any alleged ethics violations were reported to the District 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 District'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 of any ethics violations, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's debt service:

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

Performance: Inquired of management as to issuance of debt during the fiscal year. No debt was issued during this fiscal year.

Exceptions: Not applicable.

Management's response: Not applicable.

Procedures performed on the District's debt service: (Continued)

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

Performance: Reviewed combined debt service requirements and traced payments to source documents. The District's bond reserve was tested for compliance with debt covenants.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

30. If the Council 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 on the District:

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 District reported the misappropriation to the legislative auditor and the District attorney of the parish in which the District is domiciled.

Performance: Inquired of management of any misappropriations of public funds or assets, none were noted.

Exceptions: Not applicable.

Management's response: Not applicable.

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

Performance: Inquired and observed such notice posted on the premises and website.

Exceptions: The notice was not posted on the District's premises or website.

Management's response: Management will consider posting the notice on the District's premises and website in a timely manner.

Other procedures performed on the District: (Continued)

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 representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.