

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE  
ASSOCIATION AND SUBSIDIARY  
HOUMA, LOUISIANA**

Financial Statements and  
Supplementary Information

Years Ended December 31, 2017 and 2016



## Contents

---

<b>Directors, Officers, and Management</b>	<b>1</b>
--	----------

---

<b>Independent Auditor's Report</b>	<b>2 - 3</b>
-------------------------------------	--------------

---

### **Consolidated Financial Statements**

Consolidated Balance Sheets	4 - 5
Consolidated Statements of Revenue and Expenses	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Equities and Margins	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 25

---

<b>Independent Auditor's Report on Supplementary Information</b>	<b>27</b>
--	-----------

---

Consolidating Balance Sheets	28 - 29
Consolidating Statements of Revenue and Expenses	30 - 31
Consolidating Statements of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	32

---

<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>34 - 35</b>
--	----------------

<b>Schedule of Findings and Responses</b>	<b>36</b>
---	-----------

<b>Schedule of Prior Year Findings</b>	<b>37</b>
--	-----------

<b>Management's Corrective Action Plan</b>	<b>38</b>
--	-----------

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Directors, Officers, and Management  
December 31, 2017**

**Directors**

<b>Name</b>	<b>Address</b>	<b>Principal Business</b>
Eroy Acosta	Stephensville, Louisiana	Self-employed
Tracy V. Duval	Amelia, Louisiana	Self-employed
Roger Dale Dehart	Theriot, Louisiana	Retired
Larry J. Daigle	Gray, Louisiana	Produce Buyer
Alexander Doyle	Houma, Louisiana	Legal Attorney
J. D. Boudreaux	Donner, Louisiana	Retired
David Luke	Houma, Louisiana	Seafood Processor
Brian Rivet	Gheens, Louisiana	Self-employed
Terry Trahan	Bayou Black, Louisiana	Retired

**Advisor to the Board**

Lloyd Gibson

**Officers and Management**

Alexander Doyle	President
David Luke	Vice-President
Brian Rivet	Secretary
Terry Trahan	Treasurer
Joe Ticheli	General Manager

## Independent Auditor's Report

The Board of Directors  
South Louisiana Electric Cooperative Association and Subsidiary  
Houma, Louisiana

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (Cooperative) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of revenue and expenses, comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Total Environmental Solutions, Inc., a wholly-owned subsidiary, which statements reflect total assets of \$8,513,408 and \$8,302,815 as of December 31, 2017 and 2016, respectively, and total revenues of \$7,647,483 and \$7,555,576, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Total Environmental Solutions, Inc., is based solely on the report of the other auditors. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The consolidated financial statements, as of and for the year ended December 31, 2016, were audited by other auditors who have ceased operations, whose report, dated May 8, 2017, expressed an unmodified opinion on those statements.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Houma, LA  
May 31, 2018

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidated Balance Sheets  
December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Utility Plant</b>		
Electric Plant in Service	\$ 128,167,530	\$ 127,930,397
Construction Work in Progress	1,500,067	2,641,395
Water And Waste Water Plant in Service	15,203,252	15,026,429
	<u>144,870,849</u>	<u>145,598,221</u>
Less Accumulated Depreciation	(52,800,983)	(52,156,119)
<b>Net Utility Plant</b>	<u>92,069,866</u>	<u>93,442,102</u>
<b>Investments in Associated Organizations</b>	<u>2,721,197</u>	<u>2,640,075</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	4,410,550	981,527
Restricted Cash	2,500	3,579,500
<b>Total Cash and Cash Equivalents</b>	<u>4,413,050</u>	<u>4,561,027</u>
Accounts Receivable		
Consumers, Less Allowance for Doubtful Accounts of \$309,418 in 2017; \$297,955 in 2016	3,718,558	3,669,479
Accrued Unbilled Revenue	2,018,242	1,933,398
Other Accounts Receivable	291,525	32,309
Materials and Supplies Inventories	1,357,477	1,219,460
Prepayments	1,121,826	1,228,731
Deferred Income Taxes	35,000	47,000
<b>Total Current Assets</b>	<u>12,955,678</u>	<u>12,691,404</u>
<b>Other Assets</b>		
Deferred Charges, Net of Amortization	2,678,889	6,081,663
Other Assets	653,274	386,045
<b>Total Other Assets</b>	<u>3,332,163</u>	<u>6,467,708</u>
<b>Total Assets</b>	<u>\$ 111,078,904</u>	<u>\$ 115,241,289</u>

The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidated Balance Sheets (Continued)  
December 31, 2017 and 2016

	2017	2016
<b>Liabilities and Other Credits</b>		
<b>Equities and Margins</b>		
Memberships	\$ 83,710	\$ 84,205
Patronage Capital	45,109,534	46,232,899
Other Equities (Deficits)	868,747	995,824
Accumulated Other Comprehensive Income (Loss)	(5,853,100)	(5,853,100)
<b>Total Equities and Margins</b>	<b>40,208,891</b>	<b>41,459,828</b>
<b>Long-Term Obligations, Net of</b>		
<b>Current Maturities</b>		
Notes and Capital Leases Payable, Less		
Current Maturities	38,050,919	38,818,104
Deferred Interest Payable	57,014	99,742
<b>Long-Term Obligations, Net</b>	<b>38,107,933</b>	<b>38,917,846</b>
<b>Current Liabilities</b>		
Current Maturities of		
Long-Term Obligations	1,335,010	1,688,162
Lines of Credit	1,474,913	1,049,913
Note Payable - Insurance	421,331	366,212
Accounts Payable		
Purchased Power	4,151,546	2,629,209
Other	1,238,976	1,639,655
Consumer Deposits	1,888,966	1,847,923
Accrued Expenses and Other Liabilities	1,104,238	988,941
Accumulated Employee Benefit Liability	770,200	638,600
<b>Total Current Liabilities</b>	<b>12,385,180</b>	<b>10,848,615</b>
<b>Other Liabilities</b>		
Deferred Income Taxes	496,000	676,000
Accumulated Employee Benefit Liability	19,880,900	23,339,000
<b>Total Other Liabilities</b>	<b>20,376,900</b>	<b>24,015,000</b>
<b>Total Liabilities</b>	<b>70,870,013</b>	<b>73,781,461</b>
<b>Total Liabilities and Other Credits</b>	<b>\$ 111,078,904</b>	<b>\$ 115,241,289</b>

The accompanying notes are an integral part of these consolidated financial statements.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY**  
Consolidated Statements of Revenue and Expenses  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Operating Revenue</b>	<b>\$ 56,620,976</b>	<b>\$ 57,240,145</b>
<b>Operating Expenses</b>		
Cost of Power	33,134,338	33,827,750
Distribution Expense	2,931,920	2,805,564
Consumer Account Expense	1,804,933	1,700,022
Customer Sales and Service	580,960	587,924
Depreciation and Amortization	3,518,374	3,491,416
Water And Waste Water Expenses	6,198,811	5,885,767
Other Operating Expenses	8,963	9,852
Taxes	1,211,797	1,225,722
Maintenance		
Distribution and Transmission System	3,036,204	3,054,375
General Plant	289,863	315,186
Administrative and General		
General Office Salaries and Benefits	1,458,801	1,428,736
Property and Liability Insurance	126,855	131,002
Special Services	271,224	285,369
Office Supplies and Expense	397,955	393,498
National, State and Local Meetings - Directors and Employees	174,235	156,654
Dues and Subscriptions	169,661	188,285
Water and Waste Water Expenses	1,620,422	1,495,929
Miscellaneous	90,805	80,585
	<u>57,026,121</u>	<u>57,063,636</u>
<b>Operating Margins</b>	<b>(405,145)</b>	<b>176,509</b>
<b>Interest Expense</b>	<b>1,518,686</b>	<b>1,571,599</b>
<b>Net Operating Margins</b>	<b>(1,923,831)</b>	<b>(1,395,090)</b>
<b>Non-Operating Margins</b>		
Interest Income	68,343	65,541
(Loss) Gain on Disposition/Retirement of Property	(47,791)	31,487
Other Non-Operating Income (Expenses), Net	339,051	126,830
	<u>359,603</u>	<u>223,858</u>
	<b>(1,564,228)</b>	<b>(1,171,232)</b>
<b>Patronage Income</b>		
Cooperative Capital Credits - CFC	145,786	158,909
	<u>145,786</u>	<u>158,909</u>
<b>Net Margins Before Income Tax</b>	<b>(1,418,442)</b>	<b>(1,012,323)</b>
<b>Income Taxes</b>		
Income Tax (Benefit) Expense	(168,000)	50,000
<b>Net Margins</b>	<b>\$ (1,250,442)</b>	<b>\$ (1,062,323)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY**  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Net Margins</b>	<b>\$ (1,250,442)</b>	<b>\$ (1,062,323)</b>
Other Comprehensive Income		
Amortization of Actuarial Losses Included in Postretirement Benefit Expense	<u>-</u>	<u>-</u>
<b>Comprehensive Loss</b>	<b><u>\$ (1,250,442)</u></b>	<b><u>\$ (1,062,323)</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY**  
Consolidated Statements of Equities and Margins  
For the Years Ended December 31, 2017 and 2016

	Memberships	Patronage Capital	Other Equities (Deficits)	Accumulated Other Comprehensive Income (Loss)	Total Equities and Margins
<b>Balances at December 31, 2015</b>	\$ 84,055	\$ 47,387,503	\$ 903,543	\$ (5,853,100)	\$ 42,522,001
Change in Memberships	150	-	-	-	150
Net Margins for the Year	-	(1,154,604)	92,281	-	(1,062,323)
<b>Balances at December 31, 2016</b>	84,205	46,232,899	995,824	(5,853,100)	41,459,828
Change in Memberships	(495)	-	-	-	(495)
Net Margins for the Year	-	(1,123,365)	(127,077)	-	(1,250,442)
<b>Balances at December 31, 2017</b>	<u>\$ 83,710</u>	<u>\$ 45,109,534</u>	<u>\$ 868,747</u>	<u>\$ (5,853,100)</u>	<u>\$ 40,208,891</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Net Margins	\$ (1,250,442)	\$ (1,062,323)
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Provision for Depreciation and Undepreciated Costs on Utility Plant Retirements	4,197,479	4,156,543
Provision for Uncollectible Accounts	43,467	302,387
Provision for Amortization	-	18,050
Loss (Gain) on Sale of Assets from Continuing Operations	47,791	(31,487)
Deferred Income Tax (Benefit) Expense	(168,000)	50,000
Other Items	(33)	-
Changes in Operating Assets and Liabilities		
Current Assets	(739,762)	642,894
Current Liabilities	1,194,227	(60,817)
Customer Deposits	41,043	20,499
<b>Net Cash Provided by Operating Activities</b>	<b>3,365,770</b>	<b>4,035,746</b>
<b>Cash Flows from Investing Activities</b>		
Construction Expenditures for Utility Plant	(4,914,673)	(4,589,381)
Proceeds from Sale of Assets from Continuing Operations	6,528	84,721
Proceeds from Contributions in Aid of Construction	2,035,111	804,640
<b>Net Cash Used in Investing Activities</b>	<b>(2,873,034)</b>	<b>(3,700,020)</b>
<b>Cash Flows from Financing Activities</b>		
Increases in Membership and Other Equities	(495)	150
Increase (Decrease) in Short-Term Borrowings, Net	480,119	(1,004,502)
Retirement of Long-Term Debt	(1,120,337)	(1,699,875)
Proceeds from Issuance of New Debt	-	6,577,000
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>(640,713)</b>	<b>3,872,773</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(147,977)</b>	<b>4,208,499</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,561,027</b>	<b>352,528</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,413,050</b>	<b>\$ 4,561,027</b>

The accompanying notes are an integral part of these consolidated financial statements.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies**

The following accounting policies and financial information of the South Louisiana Electric Cooperative Association (Cooperative) are set forth to facilitate the understanding of data presented in the financial statements.

**Organization and Jurisdiction**

South Louisiana Electric Cooperative Association (Cooperative) was chartered in 1939 to provide electric service to rural member customers. At December 31, 2017, the Cooperative had approximately 1,503 miles of line providing service to approximately 30,330 members in a five parish area of South Louisiana. The Cooperative is subject to certain rules and regulations promulgated for rural electric borrowers by the Rural Utilities Service (RUS) and is also subject to the jurisdiction of the Louisiana Public Service Commission (LPSC). The Cooperative's accounting policies conform to generally accepted accounting principles as applied in the case of Rural Electric Cooperatives.

Total Environmental Solutions, Inc., (TESI) a wholly-owned subsidiary of the Cooperative was chartered in 2000 to purchase the assets of a water and waste water utility from the Bankruptcy Court of the Middle District of Louisiana. TESI provides water and waste water services to customers in Louisiana, North Carolina, and South Carolina, and is regulated by the public service commission of these states.

**Consolidation**

The consolidated financial statements include the accounts of the cooperative and its wholly-owned subsidiary, Total Environmental Solutions, Inc. Intercompany transactions and balances have been eliminated in consolidation.

**Utility Plant and Other Property**

The Cooperative's cost associated with electric plant additions and improvements are capitalized based upon the RUS guidelines established in Bulletin 1767B-2. This results in the capitalization of direct costs such as labor and materials expense and also includes capitalization of indirect costs including labor, material charges, taxes, insurance, transportation, depreciation, pensions, and other related expenses. These costs are accumulated in work-in-progress accounts and are capitalized to the proper plant accounts at the completion of the construction activity. The costs of depreciable property, when retired, is computed at the average unit cost along with removal costs less salvage. The net retirement cost is charged to accumulated depreciation. Maintenance and repairs, including minor items of property, are charged to accumulated depreciation. Maintenance and repairs, including minor items of property, are charged to maintenance expense as incurred.

Depreciation is computed using the straight-line method over the expected useful lines of the related assets.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

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

**Utility Plant and Other Property (Continued)**

TESI's property is stated at cost, less accumulated depreciation. All property recorded is included in the determination of rates. Depreciation expense is computed principally by the straight-line method over the estimated useful lives of depreciable assets for financial statement purposes, whereas accelerated methods are used for income tax purposes. Gains and losses on asset sales or dispositions are reflected in the income statement.

**Investments in Associated Organizations**

The Cooperative has investments in CFC and other cooperatives in the form of patronage capital certificates and capital term certificates.

Patronage capital certificates are recorded as assets and income in the year issued. There are no dividends or interest that accrue on these certificates. Capital term certificates are interest bearing. Interest earned on these certificates is recorded in interest income.

**Materials and Supplies Inventories**

Materials and supplies inventories are stated at cost using the weighted average cost method of inventory valuation.

**Accounts Receivable**

The Cooperative extends credit to its customers who are primarily located in south Louisiana. Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables do not accrue interest. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received.

**Revenue and Cost Recognition**

The Cooperative recognizes revenues based on services rendered to customers during the year. This includes services on cycle-billings, which are not billed at year's end.

The Cooperative's tariffs for electric service include power cost adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, underbilled power cost to be billed to customers in subsequent periods is recognized as a current asset and as an increase in operating revenues. Overbilled power cost to be credited to consumers in subsequent periods is recognized as a current liability and as a decrease in operating revenues.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

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

**Income Taxes**

The Cooperative is a nonprofit organization. An exemption from federal income taxes has been obtained from the Internal Revenue Service. Over 85% of the income is received from members of the Cooperative; therefore, no federal taxes are due. The Cooperative has not identified any uncertain tax positions that would jeopardize its status as tax-exempt.

The Cooperative's wholly owned subsidiary, TESI, is taxed as a corporation for income tax purposes. TESI accounts for income taxes using the liability method. Temporary differences occur between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are recorded for these differences based on enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**Cash Equivalents**

For purposes of the statement of cash flows, the Cooperative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Advertising Costs**

Advertising costs are charged to operations when incurred, except for direct-response advertising. The costs of direct-response advertising are capitalized and amortized over the period which future benefits are expected to be received. There were no direct-response advertising costs incurred during the year. Advertising costs incurred and charged to operations were \$12,354 and \$12,432 for the years ended December 31, 2017 and 2016, respectively.

**Estimates**

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

**Note 2. Cash and Invested Cash**

Deposits with banks are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2017, deposits with banks exceeded FDIC protection by approximately \$5,315,000.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 3. Utility Plant**

The following are the major classes of the utility plant as of December 31,:

	2017	2016
Distribution Plant	\$ 111,056,899	\$ 110,737,088
Transmission Plant	7,698,013	7,725,937
General Plant	9,412,618	9,467,372
Water and Waste Water Plant	15,203,252	15,026,429
	<u>143,370,782</u>	<u>142,956,826</u>
Construction Work in Progress	1,500,067	2,641,395
<b>Total</b>	<b><u>\$ 144,870,849</u></b>	<b><u>\$ 145,598,221</u></b>

Depreciation is computed using the straight-line method at the following rates:

	<u>Percent</u>
Distribution Plant	3.216
Transmission Plant	2.748
Water and Waste Water Plant	2.5 - 5.0
General Plant	
Office Furniture and Equipment	6.0 - 10.0
Transportation	10.0 - 33.3
Structure and Improvements	2.40

Depreciation expense was \$4,197,479 and \$4,156,543 for 2017 and 2016, respectively. Assets held under capital leases as of December 31, 2017 and 2016 totaled \$237,840 and \$237,840, respectively. Essentially all property has been pledged to collateralize debt. See Note 9.

**Note 4. Investments in Associated Organizations**

Investments in associated organizations include the following at December 31,:

	2017	2016
Patronage Capital Credits from CFC	\$ 393,146	\$ 383,270
Investment in Capital Term Certificates of CFC	1,494,579	1,494,579
Other Investments in Cooperatives	833,472	762,226
<b>Total</b>	<b><u>\$ 2,721,197</u></b>	<b><u>\$ 2,640,075</u></b>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 5. Accounts Receivable Consumers**

Accounts receivable consumers at December 31, 2017 and 2016, consisted of the following:

	<b>Accounts</b>		<b>Accounts</b>
	<b>Receivable</b>	<b>Allowance</b>	<b>Receivable</b>
<b>2017</b>			<b>Net</b>
Electric Consumers - SLECA	\$ 3,354,514	\$ 169,318	\$ 3,185,196
Water and Wastewater Consumers - TESI	673,462	140,100	533,362
<b>Total</b>	<b>\$ 4,027,976</b>	<b>\$ 309,418</b>	<b>\$ 3,718,558</b>

  

	<b>Accounts</b>		<b>Receivable</b>
	<b>Receivable</b>	<b>Allowance</b>	<b>Net</b>
<b>2016</b>			
Electric Consumers - SLECA	\$ 3,336,080	\$ 142,097	\$ 3,193,983
Water and Wastewater Consumers - TESI	631,354	155,858	475,496
<b>Total</b>	<b>\$ 3,967,434</b>	<b>\$ 297,955</b>	<b>\$ 3,669,479</b>

The Cooperative does not require collateral on its receivables; however, a deposit is collected from customers which may be used to satisfy outstanding receivables.

**Note 6. Details of Patronage Capital**

	<b>2017</b>	<b>2016</b>
Assignable	\$ (3,195,426)	\$ (2,072,061)
Assigned	48,304,960	48,304,960
	<b>\$ 45,109,534</b>	<b>\$ 46,232,899</b>

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed 40 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 36 percent of the total assets at December 31, 2017 and 2016, respectively.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 7. Details of Other Equities (Deficits)**

	2017	2016
Retained Capital Credit Gain	\$ 183,282	\$ 183,282
Capital Gains and Losses	5,986	5,986
Donated Capital	6,761	6,761
Acquisition Adjustment and Equity in Undistributed Earnings of Subsidiary	672,718	799,795
<b>Total</b>	<b>\$ 868,747</b>	<b>\$ 995,824</b>

**Note 8. Insurance Note Payable and Lines of Credit**

TESI financed insurance premiums with short-term financing arrangements, as follows:

	2017	2016
TESI Notes Payable		
Financed insurance, due in 11 monthly installments of \$47,598, including interest at 2.01%.	\$ 421,331	\$ 317,839
Financed insurance, due in 9 monthly installments of \$8,061.	-	48,373
<b>Total</b>	<b>\$ 421,331</b>	<b>\$ 366,212</b>

At December 31, the Cooperative had lines of credit as follows:

	2017	2016
Cooperative Debt		
\$5,000,000 line of credit with CoBank, variable interest only payments (3.45% and 3.02% at December 31, 2017 and 2016, respectively), due September 30, 2018. The line of credit is unsecured.	\$ 1,049,913	\$ 1,049,913
TESI Debt		
CoBank issued TESI a line of credit in the amount of \$1,000,000 with a maturity date of August 31, 2018 and bearing interest at 3.57%. The line of credit is guaranteed by SLECA and is secured by real property of TESI.	425,000	-
<b>Total</b>	<b>\$ 1,474,913</b>	<b>\$ 1,049,913</b>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 9. Long-Term Obligations**

Long-term debt as of December 31 follows:

	2017	2016
<b>Cooperative Debt</b>		
Rural Utilities Services, 2.16% to 5% mortgage notes, due in quarterly principal and interest installments of approximately \$594,000 through 2046.	\$ 34,924,035	\$ 35,818,928
National Rural Utilities Cooperative Finance Corporation, 2.85% to 7.3% mortgage notes, due in quarterly principal and interest installments of approximately \$102,000 through 2036.	4,439,136	4,619,949
<b>Total Cooperative Debt</b>	<b>39,363,171</b>	<b>40,438,877</b>
<b>TESI Debt</b>		
Capital leases payable (9) in 12 monthly payments totaling \$3,091 bearing interest ranging from 4.934% to 4.974% collateralized by transportation equipment.	22,758	67,389
<b>Total TESI Long-Term Debt</b>	<b>22,758</b>	<b>67,389</b>
<b>Total Long-Term Debt</b>	<b>39,385,929</b>	<b>40,506,266</b>
Less: Current Maturities of Cooperative Debt	(1,312,252)	(1,620,773)
Less: Current Maturities of TESI Debt	(22,758)	(67,389)
<b>Total Current Maturities of Long-Term Debt</b>	<b>(1,335,010)</b>	<b>(1,688,162)</b>
<b>Total Long-Term Debt, Net of Current Maturities</b>	<b>\$ 38,050,919</b>	<b>\$ 38,818,104</b>

Substantially all of the Cooperative's utility plant is pledged as collateral under the various mortgage notes.

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. In 2017 and 2016, respectively, total interest incurred was \$1,518,686 and \$1,571,599, of which all was charged to operations

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 9. Long-Term Obligations (Continued)**

Scheduled maturities of long-term debt follow:

	<b>SLECA</b>	<b>TESI</b>	<b>Total</b>
2018	\$ 1,312,252	\$ 22,758	\$ 1,335,010
2019	1,204,238	-	1,204,238
2020	1,248,439	-	1,248,439
2021	1,294,215	-	1,294,215
2022	1,341,616	-	1,341,616
2023 and Thereafter	32,962,411	-	32,962,411
<b>Total</b>	<b>\$ 39,363,171</b>	<b>\$ 22,758</b>	<b>\$ 39,385,929</b>

CoBank issued TESI irrevocable letters of credit, maturing at various dates through February 2019, in the amount of \$2,105,400 for the purpose of supporting TESI's obligation for certain modified consent decrees. As of December 31, 2017, these letters of credit were unused.

Additionally, CoBank issued TESI a revolving line of credit in the amount of \$1,000,000 with a maturity date of August 31, 2018 and bearing interest of 3.57%. As of December 31, 2017, TESI owes \$425,000. The line of credit is guaranteed by SLECA and secured by real property of TESI.

**Note 10. Provision for Income Taxes**

The Subsidiary's provision (benefit) for income taxes consisted of the following:

**2017**

<b>Deferred Income Tax</b>	<b>\$ 168,000</b>
<b>Total Provision (Benefit) for Income Taxes</b>	<b>\$ 168,000</b>

**2016**

Deferred Income Tax	\$ 50,000
Total Provision (Benefit) for Income Taxes	\$ 50,000

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 10. Provision for Income Taxes (Continued)**

The Subsidiary's tax effects of temporary differences that give rise to significant portions of the deferred tax asset are as follows:

	2017	2016
<b>Current Deferred Tax Assets</b>		
Allowance for Doubtful Accounts		
Receivable and Impaired Inventory	\$ 35,000	\$ 47,000
Current Deferred Tax Assets	<u>\$ 35,000</u>	<u>\$ 47,000</u>
<b>Noncurrent Net Deferred Tax Liability</b>		
Depreciation - Difference in Method	\$ (709,000)	\$ (764,000)
Net Operating Loss Carryforward	200,500	88,000
Deferred Contingency	12,500	-
Noncurrent Deferred Tax Liability	<u>\$ (496,000)</u>	<u>\$ (676,000)</u>

At December 31, 2017, TESI has a net operating loss carryforward of approximately \$800,000 that will expire in 2037. TESI's effective tax rate differs from what would be expected if the federal statutory rates were applied to income before income taxes primarily because of certain expenses deductible for financial reporting purposes that are not deductible for tax purposes.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Act) was signed into law making significant changes to the Internal Revenue Code of 1986, as amended. The changes include, but are not limited to, a corporate tax decrease from 35% to 21% effective for tax years beginning after December 31, 2017. TESI has calculated its best estimate of the impact of the Act in its year end income tax provision in accordance with the understanding of the Act and guidance available as of March 23, 2018. The provisional amount related to the remeasurement of certain deferred tax assets and liabilities is based on the rates at which they are expected to reverse in the future. The impact of this Act was a net decrease in deferred tax liabilities of approximately \$92,000, resulting in additional income tax of \$92,000 for the year ended December 31, 2017.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 11. Deferred Charges and Change in Accounting Principle**

The Cooperative records assets that result from the regulated ratemaking process that would not be recorded under generally accepted accounting principles for non-regulated entities.

The following is a summary of amounts recorded as deferred charges as of December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Deferred Postretirement Benefits	<b>\$ 2,627,328</b>	\$ 5,953,828
Storm Rider Assessment	-	71,040
Survey Costs	<b>51,561</b>	56,795
Deferred Charges	<b><u>\$ 2,678,889</u></b>	<b><u>\$ 6,081,663</u></b>

For the year ended December 31, 2015, the Cooperative changed its method of accounting for Postretirement Benefits Other than Pension (OPEB) to comply with regulatory requirements under LPSC Order Number S-32362. That order requires the Cooperative to defer OPEB costs in excess of amounts amortizable under the pay-as-you-go method of accounting. As a result of this change, the Cooperative has recorded a regulatory asset in the amount of \$3,373,728 as of December 31, 2015. The change is being applied on a prospective basis as approved by RUS.

Beginning in January 2015, the LPSC approved a Storm Rider assessment totaling \$2,087,252 to allow the Cooperative to recover costs related to Hurricane Katrina that were not reimbursed by FEMA. The assessment is billed to customers based on usage at \$0.001779 per kilowatt hour.

TESI records assets that result from the regulatory rate making process that are not recorded under generally accepted accounting principles for non-regulated entities. TESI has recorded deferred charges for amortizable professional fees incurred relating to rate applications and proceedings to establish increased rates for wastewater services.

As of December 31, 2017, deferred charges totaled \$269,585. TESI will amortize these deferred charges over a three year period beginning after March 21, 2018, the date the increased rates were voted on and approved by the Louisiana Public Services Commission.

Accumulated amortization totals \$248,506 and \$248,506 at December 31, 2017 and 2016, respectively. Amortization expense was \$-0- and \$18,050 for 2017 and 2016, respectively.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 12. Employee Retirement Benefits**

**NRECA Retirement and Security Program**

Substantially all of the Cooperative's employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The program is a multi-employer defined benefit master pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. The basic benefit payable upon attainment of the normal retirement age is based on the highest five-year average of the base compensation during the last ten years of participation. Normal retirement age can be 62, or the earlier of age 62 or any age with thirty years of participation, as elected by the system. Benefits derived from employee contributions are fully vested. A portion of the benefits provided by system contributions is vested, increased at 10% a year after the first year of service to 100% after five years of service or at age 55.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The actuarial cost method used to determine the Cooperative's contributions necessary to meet ERISA funding requirements is the entry age normal cost method. The Cooperative made annual contributions to the Program equal to the amounts accrued for pension expense. The Cooperative's pension contributions under this plan for 2017 and 2016 were \$1,741,740 and \$1,622,437, respectively, of which a portion was capitalized to construction work in progress based on payroll costs. This represents less than 5 percent of the total contributions made to the RS Plan by all participating employers. There have been no significant changes that affect the comparability of 2017 and 2016 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 88 percent funded on January 1, 2017 and over 80 percent funded on January 1, 2016 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contributions requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 12. Employee Retirement Benefits (Continued)**

**SelectRE Pension Plan (401k Savings Plan)**

The Plan is a multi-employer defined contribution master pension plan. The Cooperative matches employee contributions up to 3% of an employee's annual base compensation. The Cooperative's pension contribution under the Savings Plan for 2017 and 2016 was \$151,988 and \$187,319, respectively, of which a portion was capitalized to construction work in progress based on payroll costs.

**Post-Retirement Health Care**

The Cooperative also provides certain medical and dental benefits for retired employees and directors. The Cooperative pays the cost for retired employees as follows: years of service 8 through 15 - 25%; years 16 through 20 - 50%; years 21 through 25 - 75%; and greater than 26 years of service - 100%.

The Cooperative funds these benefits on a pay-as-you-go basis. Benefits paid under the plan amounted to \$770,200 and \$638,600 for the years ended December 31, 2017 and 2016, respectively.

A summary of the components of the net periodic postretirement benefit cost for the years ended December 31, follows:

	2017	2016
Service Cost - Benefits Earned During the Period	\$ 583,500	\$ 540,100
Interest Cost on APBO	939,900	932,400
Amortization of Actuarial Loss	655,900	512,800
Net Periodic Postretirement Benefit Cost	<u>\$ 2,179,300</u>	<u>\$ 1,985,300</u>

The funded status of the Cooperative's postretirement plan is as follows at December 31,:

	2017	2016
Accumulated Postretirement Benefit Obligation	\$ 20,651,100	\$ 23,977,600
Fair Value of Plan Assets	-	-
Accumulated Postretirement Benefit Obligation	<u>\$ 20,651,100</u>	<u>\$ 23,977,600</u>

Amounts not yet recognized as components of postretirement benefit cost at December 31, are reported in the financial statements as follows:

	2017	2016
Accumulated Other Comprehensive Income	\$ 8,956,600	\$ 5,853,100
Deferred Charges	(4,735,600)	3,103,500
Total Actuarial Loss	<u>\$ 4,221,000</u>	<u>\$ 8,956,600</u>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 12. Employee Retirement Benefits (Continued)**

The assumed health care cost trend rate used in measuring the APBO was 9% for 2017 and decreases at a rate of 0.5% per year to an ultimate rate of 5% in 2025. The assumed discount rate used in measuring the APBO was 4.05% and 4.5% for 2017 and 2016, respectively.

Benefits expected to be paid in each of the next five years, and in the aggregate for the next five years thereafter, are estimated as follows:

2017	\$	770,200
2018		578,800
2019		688,700
2020		692,600
2021		778,800
Aggregate for the Five Years Thereafter		5,944,000

**Note 13. Rates and Regulation**

In 1989, the Louisiana Supreme Court ruled that the LPSC has plenary authority over all rural electric cooperatives in the state. In June 2000, the Cooperative's rate schedules were filed with LPSC.

**Note 14. Contingencies**

Several suits and claims arising in the ordinary course of operations are pending against TESI. The majority of these claims are covered by insurance or other defenses.

TESI is currently operating under a modified consent decree (MCD) and consolidated compliance order and notice of potential penalty (CCONOPP) with state and federal environmental regulatory agencies. The MCD states that TESI will make necessary refurbishments to bring existing systems into compliance with state and federal operating standards. It is the opinion of management that the refurbishments to meet the terms of the MCD can be completed within the specified time limits. Costs associated with the refurbishments are expected to be capital in nature and are capitalized as incurred. The CCONOPP has been administratively appealed and is currently pending before an administrative law judge. No penalties have been assessed under the CCONOPP, but TESI is in discussions with state regulatory agencies concerning the settlement of this order.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 14. Contingencies (Continued)**

Management of the Cooperative and TESI are not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water and sewer systems on a regular basis and providing the test results to the proper environmental authorities.

The Cooperative is subject to other legal proceedings. In the opinion of management, the outcome of these proceedings will not materially affect the accompanying financial statements, and accordingly, no provision for any liability has been recorded.

**Note 15. Commitments**

Under its wholesale power agreement, the Cooperative is committed to purchase all of its electric power and energy requirements from Louisiana Generating, L.L.C. through March 2025. The rates paid for such purchases are subject to review annually, and are regulated by the LPSC. Future operating results could be materially affected in the event of an interruption of the supply of electric power from the company.

**Note 16. Disclosures About Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

*Cash and invested cash.* For invested cash, the carrying amount is a reasonable estimate of fair value.

*Short-term borrowings.* The carrying amounts of lines of credit and other short-term borrowings approximate their fair value.

*Long-term borrowings.* The fair value of long-term debt is based on current rates at which the Cooperative could borrow funds with similar remaining maturities.

The carrying amount of receivables, other current assets, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments.

The fair value estimates presented are based on information available to management as of December 31, 2017 and 2016, respectively. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, these amounts have not been revalued for purposes of these financial statements since that date, and, therefore, current estimates of fair value may differ significantly from the amounts presented.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 16. Disclosures About Fair Value of Financial Instruments (Continued)**

The estimated fair value of financial instruments, as of December 31, follows:

	(In Thousands) December 31, 2017		(In Thousands) December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and Invested Cash	\$ 4,413	\$ 4,413	\$ 4,561	\$ 4,561
Accounts Receivable	6,028,325	6,028,325	5,635,186	5,635,186
Other Current Assets	1,156,826	1,156,826	1,275,731	1,275,731
<b>Financial Liabilities</b>				
Short-Term Borrowings	1,896	1,896	1,416	1,416
Long-Term Borrowings	39,443	35,549	40,606	40,359
Accounts Payable	5,390,522	5,390,522	4,268,864	4,268,864
Accrued Liabilities	1,874,438	1,874,438	1,627,541	1,627,541

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practical to estimate fair value. The aforementioned disclosures do not include estimated fair value for all non-financial instruments that are excluded from these disclosure requirements. Further, the disclosures do not include estimated fair value of items which are not financial instruments but which represent significant value to the Company. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Cooperative.

**Note 17. Supplemental Disclosures of Cash Flow Information**

Cash payments for interest and income taxes were as follows:

	2017	2016
Total Interest Paid	\$ 1,566,648	\$ 1,683,396
Income Taxes	\$ -	\$ -

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

---

**Note 17. Supplemental Disclosures of Cash Flow Information (Continued)**

**Noncash Financing and Investing Activities**

Noncash investing and financing activities are as follows:

	<b>2017</b>	2016
Retirement of Plant Assets, Adjusted for Removal Costs and Material Salvaged	<b>\$ 2,956,710</b>	\$ 1,572,218
Deferred Postretirement Benefit Costs	<b>\$ 2,627,328</b>	\$ 2,516,100

**Note 18. Subsequent Events**

In preparing the financial statements, the Cooperative and TESI have evaluated events and transactions for potential recognition or disclosure through May 31, 2018 and March 23, 2018, respectively, the dates the financial statements were available to be issued.

On March 7, 2018, the Louisiana Public Service Commission met to vote on SLECA's rate increase. The Commission voted to allow the Company to increase the electricity rate permanently. The rate increase is anticipated to generate approximately \$2.1 million in additional annual revenue.

On March 21, 2018, the Louisiana Public Service Commission met to vote on TESI's rate increase. The Commission voted to allow the Company to increase the wastewater rate permanently. The rate increase is anticipated to generate approximately \$2.6 million in additional annual revenue.

## **SUPPLEMENTARY INFORMATION**



LaPorte, APAC  
1620 Polk Street  
Houma, LA 70360  
985.851.2433 | Fax 985.851.2606  
LaPorte.com

## Independent Auditor's Report on Additional Information

The Board of Directors  
South Louisiana Electric Cooperative Association and Subsidiary  
Houma, Louisiana

We have audited the consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary for the year ended December 31, 2017 and have issued our report thereon dated May 31, 2018, which expresses an unmodified opinion on those financial statements, appears on page 2. The consolidated financial statements, as of and for the year ended December 31, 2016, were audited by other auditors who have ceased operations, whose report, dated May 8 2017, expressed an unmodified opinion on those statements. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The additional consolidating information for 2017 in Schedules 1 and 2, and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results or operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Total Environmental Solutions, Inc. is based on the report of other auditors, such information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

A Professional Accounting Corporation

Houma, LA  
May 31, 2018

### LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance  
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidating Balance Sheet  
December 31, 2017**

	SLECA	TESI	Eliminations	Consolidated
<b>Assets</b>				
<b>Utility Plant</b>				
Electric Plant in Service	\$ 128,167,530	\$ -	\$ -	\$ 128,167,530
Construction Work in Progress	1,500,067	-	-	1,500,067
Water and Waste Water Plant in Service	-	15,203,252	-	15,203,252
	129,667,597	15,203,252	-	144,870,849
Less Accumulated Depreciation	(44,465,202)	(8,335,781)	-	(52,800,983)
Net Utility Plant	85,202,395	6,867,471	-	92,069,866
Investment in Subsidiary	4,644,952	-	(4,644,952)	-
Investments in Associated Organizations	2,721,197	-	-	2,721,197
Total Other Property and Investments	7,366,149	-	(4,644,952)	2,721,197
<b>Current Assets</b>				
Cash and Invested Cash	4,352,341	58,209	-	4,410,550
Restricted Cash	2,500	-	-	2,500
Accounts Receivable				
Consumers, Less Allowance for Doubtful Accounts	3,185,196	533,362	-	3,718,558
Accrued Unbilled Revenue	2,018,242	-	-	2,018,242
Other Accounts Receivable	291,525	-	-	291,525
Materials and Supplies Inventories	1,357,477	-	-	1,357,477
Prepayments	755,734	366,092	-	1,121,826
Deferred Income Taxes	-	35,000	-	35,000
Total Current Assets	11,963,015	992,663	-	12,955,678
<b>Other Assets</b>				
Notes Receivable	1,148,813	-	(1,148,813)	-
Deferred Charges and Other Assets	2,678,889	-	-	2,678,889
Other Assets	-	653,274	-	653,274
Total Other Assets	3,827,702	653,274	(1,148,813)	3,332,163
Total Assets	\$ 108,359,261	\$ 8,513,408	\$ (5,793,765)	\$ 111,078,904

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidating Balance Sheet (Continued)  
December 31, 2017**

	SLECA	TESI	Eliminations	Consolidated
Liabilities and Other Credits				
Equities and Margins				
Memberships	\$ 83,710	\$ -	\$ -	\$ 83,710
Patronage Capital	45,109,534	-	-	45,109,534
Other Equities (Deficits)	868,747	4,644,952	(4,644,952)	868,747
Accumulated Other Comprehensive Loss	(5,853,100)	-	-	(5,853,100)
Total Equities and Margins	40,208,891	4,644,952	(4,644,952)	40,208,891
Long-Term Obligations, Net of				
Current Maturities				
Notes and Capital Leases Payable, Net	38,050,919	-	-	38,050,919
Deferred Interest Payable	57,014	-	-	57,014
Long-Term Obligations, Net	38,107,933	-	-	38,107,933
Current Liabilities				
Current Maturities of				
Long-Term Obligations	1,312,252	22,758	-	1,335,010
Lines of Credit	1,049,913	425,000	-	1,474,913
Other Note Payable	-	421,331	-	421,331
Accounts Payable				
Purchased Power	4,151,546	-	-	4,151,546
Other	654,416	1,733,373	(1,148,813)	1,238,976
Consumer Deposits	1,118,972	769,994	-	1,888,966
Accrued Expenses	1,104,238	-	-	1,104,238
Accumulated Employee Benefit Liability	770,200	-	-	770,200
Total Current Liabilities	10,161,537	3,372,456	(1,148,813)	12,385,180
Other Liabilities				
Deferred Income Taxes	-	496,000	-	496,000
Accumulated Employee Benefit Liability	19,880,900	-	-	19,880,900
Total Other Liabilities	19,880,900	496,000	-	20,376,900
Total Liabilities	68,150,370	3,868,456	(1,148,813)	70,870,013
Total Liabilities and Other Credits	\$ 108,359,261	\$ 8,513,408	\$ (5,793,765)	\$ 111,078,904

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidating Statement of Revenue and Expenses  
For the Year Ended December 31, 2017**

	SLECA	TESI	Eliminations	Consolidated
Operating Revenue	\$ 48,973,493	\$ 7,647,483	\$ -	\$ 56,620,976
Operating Expenses				
Cost of Power	33,134,338	-	-	33,134,338
Distribution Expense	2,931,920	-	-	2,931,920
Consumer Account Expense	1,804,933	-	-	1,804,933
Customer Sales and Service	580,960	-	-	580,960
Depreciation and Amortization	3,518,374	-	-	3,518,374
Water and Waste Water Expenses	-	6,198,811	-	6,198,811
Other Operating Expenses	8,963	-	-	8,963
Taxes	1,211,797	-	-	1,211,797
Maintenance				
Distribution and Transmission System	3,036,204	-	-	3,036,204
General Plant	289,863	-	-	289,863
Administrative and General				
General Office Salaries and Benefits	1,458,801	-	-	1,458,801
Property and Liability Insurance	126,855	-	-	126,855
Special Services	271,224	-	-	271,224
Office Supplies and Expense	397,955	-	-	397,955
National, State and Local Meetings -				
Directors and Employees	174,235	-	-	174,235
Dues and Subscriptions	169,661	-	-	169,661
Water and Waste Water Expenses	-	1,620,422	-	1,620,422
Miscellaneous	90,805	-	-	90,805
	<u>49,206,888</u>	<u>7,819,233</u>	<u>-</u>	<u>57,026,121</u>
Operating Margins	(233,395)	(171,750)	-	(405,145)
Interest Expense	<u>1,440,881</u>	<u>77,805</u>	<u>-</u>	<u>1,518,686</u>
Net Operating Margins	<u>(1,674,276)</u>	<u>(249,555)</u>	<u>-</u>	<u>(1,923,831)</u>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Consolidating Statement of Revenue and Expenses (Continued)  
For the Year Ended December 31, 2017**

	SLECA	TESI	Eliminations	Consolidated
<b>Non-Operating Margins</b>				
Interest Income	68,210	133	-	68,343
Gain (Loss) on Disposition of Property	-	(47,791)	-	(47,791)
Income (Loss) from Equity Investments	(127,077)	-	127,077	-
Other Non-Operating Income (Expenses), Net	336,915	2,136	-	339,051
	<u>278,048</u>	<u>(45,522)</u>	<u>127,077</u>	<u>359,603</u>
	(1,396,228)	(295,077)	127,077	(1,564,228)
<b>Patronage Income</b>				
Cooperative Capital Credits - CFC	145,786	-	-	145,786
Patronage Income - Co-Bank	-	-	-	-
	<u>145,786</u>	<u>-</u>	<u>-</u>	<u>145,786</u>
<b>Net Margins Before Income Tax</b>	<u>(1,250,442)</u>	<u>(295,077)</u>	<u>127,077</u>	<u>(1,418,442)</u>
<b>Income Taxes</b>				
Deferred Tax Expense (Benefit)	-	(168,000)	-	(168,000)
Total Income Tax Expense (Benefit)	<u>-</u>	<u>(168,000)</u>	<u>-</u>	<u>(168,000)</u>
<b>Net Margins</b>	<u>\$ (1,250,442)</u>	<u>\$ (127,077)</u>	<u>\$ 127,077</u>	<u>\$ (1,250,442)</u>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY**

**Schedule of Compensation, Benefits, and Other Payments  
to Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2017**

---

**Agency Head**

Joe Ticheli, General Manager

<b>Purpose</b>	<b>Amount</b>
Salary	\$0
Benefits-Insurance	\$0
Benefits-Retirement	\$0
Deferred Compensation (CAA)	\$0
Benefits-Executive Incentive	\$0
Benefits-Administrative Retention	\$0
Benefits-Vacation Payout	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Cell Phone	\$0
Dues	\$0
Vehicle Rental	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0
Other	\$0

No compensation, benefits or other payments were paid to the General Manager from public funds received by the Cooperative.

**SUPPLEMENTARY FINANCIAL REPORTS**

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

The Board of Directors  
South Louisiana Electric Cooperative Association  
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 Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (Cooperative) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of revenue and expenses, comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated, May 31, 2018.

The financial statements of the Cooperative's wholly-owned subsidiary, Total Environmental Solutions, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Total Environmental Solutions, Inc.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association'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 Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control.

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

**LOUISIANA • TEXAS**

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.



A Professional Accounting Corporation

Houma, LA  
May 31, 2018

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2017

---

**Section I – Summary of Auditor’s Reports**

a. Financial Statements:

Type of auditor’s report issued on financial statement: unmodified.

b. Internal Control and Compliance:

Internal control over financial reporting:

- Material weakness(es) identified  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness reported  Yes  None

Noncompliance material to financial statements noted  Yes  No

c. Federal Awards

SLECA did not expend federal awards in excess of \$750,000 during the year ended December 31, 2017.

**Section II – Financial Statement Findings**

None reported for year ended December 31, 2017.

**Section III – Federal Award Findings and Questioned Costs**

Not applicable.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Schedule of Prior Year Findings  
For the Year Ended December 31, 2017**

---

**SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

There were none reported for the year ended December 31, 2016.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

There were none reported for the year ended December 31, 2016.

**SECTION III - MANAGEMENT LETTER**

There was no management letter issued for the year ended December 31, 2016.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Management's Corrective Action Plan  
For the Year Ended December 31, 2017**

---

**SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.**

None.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

None.

**SECTION III - MANAGEMENT LETTER**

None.