North Lafourche Conservation, Levee and Drainage District

A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended December 31, 2017
Issued September 5, 2018

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of $1.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 5328 or Report ID No. 80170182 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 27, 2018

Independent Auditor's Report

**NORTH LAFOURCHE CONSERVATION,
LEVEE AND DRAINAGE DISTRICT
STATE OF LOUISIANA**
Raceland, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 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

1600 NORTH THIRD STREET • POST OFFICE BOX 94397 • BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV • PHONE: 225-339-3800 • FAX: 225-339-3870

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in note 7 to the financial statements, the net pension liability for the District was $1,307,463 at December 31, 2017, as determined by the Louisiana State Employees' Retirement System (LASERS). The related actuarial valuation was performed by LASERS's actuary using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at December 31, 2017, could be under or overstated. Our opinion is not modified with respect to this matter.

As discussed in notes 1-N and 8 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – superseding portions of GASB Statement No. 45 and GASB Statement No. 57*, for the year ended December 31, 2017. The adoption of these standards required the District to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multiple-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the District's net position decreased by $17,731. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 10, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 32, the Schedule of the District's Contributions on page 32, and the Schedule of the District's Proportionate Share of the Total Collective OPEB Liability on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DF:CR:BH:EFS:aa

NLCLDD 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of North Lafourche Conservation, Levee and Drainage District's (District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior year's information. Please read this document in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by $36,102,126, which represents an 8.6% increase from last year.

- The District's revenues totaled $7,592,981 for the year ended December 31, 2017. These revenues are comprised primarily of ad valorem and sales taxes. Revenues remained relatively consistent with amounts reported in the last fiscal year.

- The District's expenses totaled $4,723,995 for the year ended December 31, 2017. These expenditures are comprised primarily of repairs and maintenance, operating services, and personnel expenses. Expenses increased $2,600,894, or more than doubled compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements are comprised of three components: Management's Discussion and Analysis (this section), the basic financial statements, and Required Supplementary Information. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional information to supplement the basic financial statements, such as required supplementary information.

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 private-sector business.

The Statement of Net Position (page 11) presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources is net position and may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities (page 12) presents information showing how the District's net position changed during the most recent fiscal year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future periods.

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. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's General Fund, Capital Projects Fund, and Debt Service Fund.

The District uses only one fund type, the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike 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. Such information may be useful in evaluating the District's near-term financing requirements.

Because the view of government 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 Balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

Notes to the Financial Statements

The notes (pages 13-30) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's proportionate share of the net pension liability (Schedule 1, page 32), the District's pension contributions (Schedule 2, page 32), and the schedule of the District's proportionate share of the total collective OPEB liability (Schedule 3, page 33) required by GASB.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

The following presents condensed financial information on the operations of the District. The amounts presented for 2016 have been restated, as disclosed in note 12 to the financial statements.

Comparative Statement of Net Position
As of December 31, 2017, and December 31, 2016

	2017	2016 (Restated)	Variance	Percent Change
Assets				
Current assets	$27,416,080	$13,583,329	$13,832,751	101.8%
Capital assets, net	25,180,653	21,339,541	3,841,112	18.0%
Total assets	52,596,733	34,922,870	17,673,863	
Deferred outflows of resources	318,608	216,377	102,231	47.2%
Liabilities				
Current liabilities	2,072,700	670,917	1,401,783	208.9%
Noncurrent liabilities	14,697,926	1,217,671	13,480,255	1,107.1%
Total liabilities	16,770,626	1,888,588	14,882,038	
Deferred inflows of resources	42,589	17,519	25,070	143.1%
Net Position:				
Net investment in capital assets	23,873,563	21,339,541	2,534,022	11.9%
Restricted for capital projects	462,326		462,326	-
Restricted for debt service	1,625,624		1,625,624	-
Unrestricted	10,140,613	11,893,599	(1,752,986)	(14.7%)
Total net position	$36,102,126	$33,233,140	$2,868,986	

This schedule is prepared from the District's Statement of Net Position as shown on page 11, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2017 include:

- Current assets increased by $13,832,751 over the prior year, mainly because the unspent proceeds of the bonds issued in 2017 are reflected in the cash accounts.

- Noncurrent liabilities increased by $13,480,255 over the prior year, mainly due to the bonds issued during 2017.

Net investment in capital assets consists of capital assets net of accumulated depreciation, and reduced by any related debt. Restricted net position represents amounts that are externally restricted by the bond covenant to specific purposes, in this case, capital projects and debt service requirements. Unrestricted net position is the portion of net position that has no limitations on how these amounts may be spent.

Comparative Statement of Changes in Net Position
For the Fiscal Years December 31, 2017, and December 31, 2016

	2017	2016 (Restated)	Change	Percent Change
Expenditures/expenses				
Personnel services and related benefits	$633,142	$410,297	$222,845	54.3%
Travel	28,598	15,431	13,167	85.3%
Professonal services	345,892	145,257	200,635	138.1%
Office Supplies	22,803	18,409	4,394	23.9%
Repairs and Maintenance	1,777,811	192,187	1,585,624	825.0%
Operating Services	1,076,693	678,443	398,250	58.7%
Debt Service Payments	176,479		176,479	-
Depreciation	662,577	663,077	(500)	(0.1%)
Total expenditures/expenses	4,723,995	2,123,101	2,600,894	
Revenues				
Program revenues				
Capital grants and contributions	973,288	1,061,577	(88,289)	(8.3%)
General revenues				
Ad Valorem Taxes	4,171,231	4,103,637	67,594	1.6%
Sales Taxes	2,400,223	2,369,571	30,652	1.3%
Use of Money and Property	48,239	82,167	(33,928)	(41.3%)
Total general revenues	6,619,693	6,555,375	64,318	
Total revenues	7,592,981	7,616,952	(23,971)	
Change in net position	2,868,986	5,493,851	(2,624,865)	(47.8%)
Net position, beginning	33,233,140	27,739,289	5,493,851	19.8%
Net position, ending	$36,102,126	$33,233,140	$2,868,986	8.6%

The District's expenses increased by $2,600,894 over the previous fiscal year. The majority of the increase in expenses relates to more repair and maintenance project expenses. Personnel services and related benefits increased because the District hired an additional employee which increases salaries expense and related benefits (i.e., retirement, health insurance). In addition, overall expenses related to the retirement and health insurance costs increased.

Capital Assets

The District's investment in capital assets, net of accumulated depreciated at December 31, 2017, totaled $25,180,653. This amount represents a net increase (including additions and disposals, net of depreciation) of $3,841,112, or 18%, over the previous fiscal year. More detailed information about the District's capital assets is presented in note 4 to the financial statements.

Capital Assets, Net of Depreciation
As of December 31, 2017 and December 31, 2016

	2017	2016 (Restated)	Variance	Percent Change
Land	$1,434,547	$1,434,547	$0	0.0%
Construction in Progress	9,925		9,925	-
Infrastructure	22,252,142	17,643,938	4,608,204	26.1%
Building & Improvements	510,770	522,082	(11,312)	(2.2%)
Machinery and Equipment	937,489	1,694,936	(757,447)	(44.7%)
Office Equipment/Furniture	35,780	44,038	(8,258)	(18.8%)
Total	$25,180,653	$21,339,541	$3,841,112	

LONG-TERM LIABILITIES

The District's long-term liabilities at December 31, 2017, totaled $14,697,926. This amount represents a net increase of $13,480,255 over the previous fiscal year. As noted previously, the bond issue in 2017 increased liabilities. In addition, the net pension liability also increased over prior year by $177,795, or 15.7%.

Long-Term Liabilities at Year-End

	2017	2016 (Restated)	Variance	Percent Change
Compensated Absences Payable	$35,395	$32,426	$2,969	9.2%
Bonds Payable	13,301,833		13,301,833	-
Net Pension Liability	1,307,463	1,129,668	177,795	15.7%
OPEB Payable	53,235	55,577	(2,342)	(4.2%)
Total	$14,697,926	$1,217,671	$13,480,255	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees: ad valorem taxes, sales taxes, and projects in progress.

2018 Original Budget Summary (adopted 09/21/2017)

Starting Fund Balance		$14,909,308
Total Revenues	$8,186,265	
Total Operating Expenditures	($1,917,007)	
Increase in Operating Fund Balance		$6,269,258
Total Debt Service		($957,119)
Total Capital Projects		($20,111,417)
Ending Fund Balance		$110,030

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. Any questions about this report or requests for additional information can be obtained by contacting Dwayne Bourgeois, Executive Director, Post Office Box 309, Thibodaux, Louisiana 70302.

Statement A

NORTH LAFOURCHE CONSERVATION, LEVEE AND DRAINAGE DISTRICT
STATE OF LOUISIANA

Governmental Fund Balance Sheet/ Statement of Net Position
December 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds	Adjustments*		Statement of Net Position
ASSETS							
Cash (note 2)	$8,147,495	$12,397,724	$1,625,624	$22,170,843			$22,170,843
Accounts receivable (note 3)	4,824,547	417,385		5,241,932			5,241,932
Other assets	3,305			3,305			3,305
Capital assets, net of accumulated depreciation (note 4)					$25,180,653	(1)	25,180,653
TOTAL ASSETS	12,975,347	12,815,109	1,625,624	27,416,080	25,180,653		52,596,733
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions (note 7)					318,608	(2)	318,608
TOTAL DEFERRED OUTFLOWS OF RESOURCES					318,608		318,608
Total assets and deferred outflows of resources	$12,975,347	$12,815,109	$1,625,624	$27,416,080			
LIABILITIES							
Accounts payable and accruals (note 5)	$1,426,715	$145,985		$1,572,700			1,572,700
Compensated absences payable (notes 9 and 10)					35,395	(3)	35,395
Bonds payable due within one year (notes 6 and 10)					500,000	(3)	500,000
Bonds payable due after one year (notes 6 and 10)					13,301,833	(3)	13,301,833
Net pension obligation (note 7)					1,307,463	(3)	1,307,463
Other postemployment benefits payable (note 8)					53,235	(3)	53,235
TOTAL LIABILITIES	1,426,715	145,985		1,572,700	15,197,926		16,770,626
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to ad valorem taxes	303,259			303,259	(303,259)	(4)	
Deferred inflows related to pensions (note 7)					38,415	(2)	38,415
Deferred inflows related to other postemployment benefits (note 8)					4,174	(2)	4,174
TOTAL DEFERRED INFLOWS OF RESOURCES	303,259	0	0	303,259	(260,670)		42,589
FUND BALANCE/NET POSITION							
Restricted for Capital Projects		12,669,124		12,669,124			
Restricted for Debt Service			1,625,624	1,625,624			
Committed	8,241,538			8,241,538			
Unassigned	3,003,835			3,003,835			
TOTAL FUND BALANCE	11,245,373	12,669,124	1,625,624	25,540,121			
TOTAL LIABILITIES, TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				$27,416,080			
Net investment in capital assets					23,873,563		23,873,563
Restricted for capital projects					462,326		462,326
Restricted for debt service					1,625,624		1,625,624
Unrestricted					10,140,613		10,140,613
Total Net Position					$36,102,126		$36,102,126

***Explanations**

(1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

(2) Deferred inflows and outflows of resources relating to pensions and OPEB are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.

(3) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(4) Some revenues were collected more than sixty days after year end and, therefore, were not available to pay for current period expenditures in the governmental funds.

The accompanying notes are an integral part of this statement.

**NORTH LAFOURCHE CONSERVATION, LEVEE
AND DRAINAGE DISTRICT
STATE OF LOUISIANA**

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Statement of Activities
For the Year Ended December 31, 2017**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds	Adjustments *		Statement of Activities
EXPENDITURES/EXPENSES							
Personnel services and related benefits	$531,882			$531,882	$101,260	(1)	$633,142
Travel	28,598			28,598			28,598
Professional services	345,892			345,892			345,892
Office supplies	22,803			22,803			22,803
Repairs and maintenance	1,777,811			1,777,811			1,777,811
Operating services	668,341	$295,028		963,369	113,324	(3)	1,076,693
Debt service payments			$183,564	183,564	(7,085)	(4)	176,479
Capital outlay	3,690,029	1,453,075		5,143,104	(5,143,104)	(2)	0
Depreciation					662,577	(2)	662,577
Total Expenditures/Expenses	7,065,356	1,748,103	183,564	8,997,023	(4,273,028)		4,723,995
PROGRAM REVENUES							
Capital grants and contributions	973,288	0	0	973,288			973,288
NET PROGRAM EXPENSES							3,750,707
GENERAL REVENUES							
Ad valorem taxes	4,089,518			4,089,518	81,713	(5)	4,171,231
Sales taxes		2,400,223		2,400,223			2,400,223
Use of money and property	30,964	17,275		48,239			48,239
Total General Revenues	4,120,482	2,417,498	0	6,537,980	81,713		6,619,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,971,586)	669,395	(183,564)	(1,485,755)	1,485,755		NONE
OTHER FINANCING SOURCES							
Bond proceeds		13,808,917		13,808,917	(13,808,917)	(4)	
Proceeds from the sale of assets	526,091			526,091	(526,091)	(3)	
Transfers in (out)		(1,809,188)	1,809,188	0			
Total Other Financing Sources	526,091	11,999,729	1,809,188	14,335,008	(14,335,008)		NONE
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(1,445,495)	12,669,124	1,625,624	12,849,253	(12,849,253)		NONE
CHANGE IN NET POSITION				NONE	2,868,986		2,868,986
FUND BALANCE/NET POSITION							
Beginning of the year (restated) (note 12)	12,690,868	0	0	12,690,868	20,542,272		33,233,140
End of the year	$11,245,373	$12,669,124	$1,625,624	$25,540,121	$10,562,005		$36,102,126

***Explanations**

(1) Expenses of long-term obligations for compensated absences, pension plans, and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(2) The 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 as depreciation expense. The amount of capital outlays not meeting the capitalization threshold is reported as an expense (i.e., repairs and maintenance).

(3) The proceeds from the sale of assets provides current financial resources in the governmental funds. However the transaction resulted in a loss in the Statement of Activities.

(4) Proceeds from the issuance of bonds provides current financial resources in the governmental funds while the payment of interest consumes the current financial resources. The amortization of the premium reduces interest expense recognized in the Statement of Activities.

(5) Some revenues were collected more than sixty days after year end and, therefore, were not available to pay for current period expenditures in the governmental funds.

The accompanying notes are an integral part of this statement.

INTRODUCTION

North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, was created under the provision of Louisiana Revised Statute (R.S.) 38:291(T). The District is domiciled in the Town of Raceland, Louisiana, and is responsible for improving flood protection and drainage from the Intracoastal Waterway in Larose to the northern edge of Lafourche Parish. The District is managed by a board of commissioners composed of eleven members who are appointed by the governor of the State of Louisiana.

Commissioners, as authorized by R.S. 38:308, receive a per diem to attend meetings or conduct board-approved business not to exceed $75 per day.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The District is considered a discrete component unit of the State of Louisiana, because the state exercises oversight responsibility in that the governor appoints the board members and can impose his will on the District. The accompanying financial statements present only the activity of the District. Annually, the State of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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).

The Governmental Fund Balance Sheet/Statement of Net Position is presented on a consolidated basis; however, the governmental funds include only current financial resources available to pay for current-period expenditures and liabilities payable in the current period. Noncurrent resources and liabilities (e.g., capital assets, net pension obligations, bonds payable, other postemployment benefits payable and compensated absences payable) are not reported in the governmental funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is presented on a consolidated basis. Expenses on long-term obligations do not require the use of current financial resources and are not reported as expenditures in the governmental funds. In addition, the cost of capital outlays is allocated over their estimated useful lives as depreciation expense. The amount of capital outlays not meeting the capitalization threshold is reported as an expense (i.e., repairs and maintenance).

Policies specific to the government-wide statements are as follows:

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond two years and exceeds $1,000 in cost are capitalized. Infrastructure assets such as levees, roads, and bridges are also capitalized along with interest on debt incurred during construction. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Position.

Program Revenues

The Statement of Activities presents program revenues consisting of capital grants and contributions. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

D. FUND ACCOUNTING

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the

District are classified under one category, governmental. The category, in turn, is divided into separate "fund types."

Governmental funds account for all or most of the District's general activities, including the collection and disbursement of specific or legally-reserved monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations.

The District reports the following governmental funds:

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.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted to expenditure for capital outlays. The District uses the Capital Projects Fund to account activity associated with the Series 2017 Sales Tax Bonds. The proceeds of the bonds are restricted to the expenditures associated with the construction and improvement of levee, drainage and flood protection projects. The Capital Projects Fund is 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 and interest costs. The Debt Service Fund is reported as a major fund.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accompanying government-wide financial statements are reported using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. In the Statement of Activities, long-term debt is reported, and capital assets are reported and depreciated.

The fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related liability is incurred. Expenditures for capital assets are reported as current expenses and such assets are not depreciated. Principal and interest paid on long-term debt is reported as current expenses.

F. CASH

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owed by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

G. CAPITAL ASSETS

The District's assets are recorded at historical cost or estimated historical cost if actual is not available. Donated fixed assets are recorded at their estimated fair value on the date of donation. The District's policy is to capitalize assets with an original cost of $1,000 or more. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

	Years
Buildings/improvements	15-40
Infrastructure	20-50
Machinery/equipment	3-15
Furniture/office equipment	3-10

H. NONCURRENT LIABILITIES

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, and additions to/deductions from the retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement system. 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.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation.

Upon separation of employment (classified personnel) or their heirs are compensated for accumulated annual leave not to exceed 300 hours. Act 343 of 1993 allows members of LASERS, upon application for retirement, the option of receiving an actuarially-determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for LASERS.

J. FUND BALANCE

The District reports restricted, committed and unassigned fund balances. Restricted fund balance includes amounts that are externally restricted by the bond covenant to specific purposes, in this case capital projects and debt service. Committed fund balance represents resources that are constrained by limitations that the government imposes upon itself at the highest level of decision making and that remain binding unless removed in the same manner. The Board of Commissioners determines the commitments. Unassigned fund balance is the residual classification for the general fund. It represents resources that have not been restricted, committed, or assigned to specific purposes within the general fund.

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. Also, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first followed by unassigned fund balance.

K. NET POSITION

Net position comprises the various net earnings from revenues and expenses. The District's net position is classified in the following components:

(a) *Net investment in capital assets* consists of the District's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to these assets.

(b) *Restricted net position* reflects the portion of net position with limitations imposed on it use by external parties such as creditors, grantors, or laws or regulations of other governments. Restricted net positon for the District represents amounts that are restricted by the bond covenant for capital project purposes and debt service requirements.

(c) *Unrestricted net position* is the balance of all other elements in the Statement of Net Position remaining after net investment in capital assets and restricted net position. Unrestricted net position is used for transactions relating to the general operations of the District and may be used at its discretion to meet current expenses and for any purpose.

L. AD VALOREM TAXES

Article 6, Section 39 of the Louisiana Constitution of 1974 provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the District may levy annually a tax. Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year.

They are levied in November, billed in December, and become delinquent on January 1 of the following year.

M. USE OF ESTIMATES

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

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended December 31, 2017, the following statement was implemented: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 addresses accounting and financial reporting for other postemployment benefits (OPEB) for health care and life insurance that are provided to employees of state and local governmental employers. In addition, Statement No. 75 supersedes portions of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Most significantly, the District is required to recognize the remaining liability for its proportionate share of the OPEB liability of the State of Louisiana's retiree health plan presented in note 8.

2. CASH

At December 31, 2017, the District has cash (book balance) of $22,170,843 in demand deposits.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the District or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2017, the District had $22,425,689 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. ACCOUNTS RECEIVABLES

The following is a summary of accounts receivable at December 31, 2017:

Ad valorem taxes	$3,919,199
Sales taxes	417,385
Due from other governmental agencies	905,348
Total accounts receivable	$5,241,932

4. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2017, follows:

	Restated Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
Capital assets not being depreciated:				
Land	$1,434,547			$1,434,547
Construction in progress		$9,925		9,925
Total capital assets not being depreciated	1,434,547	9,925	NONE	1,444,472
Capital assets being depreciated:				
Infrastructure	20,398,516	5,118,545		$25,517,061
Building & improvements	556,179	6,014		562,193
Machinery and equipment	3,796,920	8,620	($1,613,764)	2,191,776
Office equipment/furniture	70,732			70,732
Total capital assets being depreciated	24,822,347	5,133,179	(1,613,764)	28,341,762
Less accumulated depreciation:				
Infrastructure	(2,754,578)	(510,341)		(3,264,919)
Building & improvements	(34,097)	(17,326)		(51,423)
Machinery and equipment	(2,101,984)	(126,652)	974,349	(1,254,287)
Office equipment/furniture	(26,694)	(8,258)		(34,952)
Total accumulated depreciation	(4,917,353)	(662,577)	974,349	(4,605,581)
Capital assets, net	$21,339,541	$4,480,527	($639,415)	$25,180,653

5. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at December 31, 2017:

Vendors	$1,266,116
Due to other governments	290,115
Salaries and related benefits	16,469
Total payables	$1,572,700

6. BONDS PAYABLE

In March 2017, the District issued Series 2017 Sales Tax Bonds maturing in 2037 in the amount of $13,620,000 for the purpose of constructing and improving levee, drainage and flood protection projects, including the acquisition of equipment and paying the costs of issuance of the bonds. The bonds, issued for a premium, carry interest rates ranging from 2% to 4%.

The bonds are payable solely from and secured by an irrevocable pledge and dedication of the District's one-fourth of one percent (0.25%) sales and use tax now being levied and collected by the District. Total sales tax available in fiscal year 2017 was $2,400,223. The total principal and interest remaining on the bonds is $13,620,000 and $5,507,835 respectively. Interest in the amount of $183,564 was paid during the fiscal year ending December 31, 2017.

The annual requirements to amortize the bonds outstanding at December 31, 2017, are as follows:

	Principal	Interest	Total
2018	$500,000	$457,119	$957,119
2019	510,000	447,019	957,019
2020	520,000	436,719	956,719
2021	530,000	423,569	953,569
2022	550,000	407,369	957,369
2023-2027	3,035,000	1,747,018	4,782,018
2028-2032	3,625,000	1,156,703	4,781,703
2033-2037	4,350,000	432,319	4,782,319
Sub-total	$13,620,000	$5,507,835	$19,127,835
Unamortized Premium	181,833	NONE	181,833
Total	$13,801,833	$5,507,835	$19,309,668

7. PENSIONS

The District is a participating employer in a state public employee retirement system, the Louisiana State Employees' Retirement System (LASERS). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by LASERS to the State Legislature. LASERS issues a public report that includes financial statements and required supplementary information, and a copy of the report may be obtained at www.lasersonline.org.

General Information about the Pension Plan

Plan Description/Benefits Provided

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer and job classification. The computation of retirement benefits is defined in R.S. 11:444.

All of the District's members are regular plan members. Regular plan members hired prior to July 1, 2006, may retire with full benefits at any age upon completing 30 years of service, at age 55 upon completing 25 years of service, and at age 60 upon completing 10 years of service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing 5 years of service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing 5 years of service. Additionally, all members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for regular plan members is equal to 2.5% of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation for regular plan members is defined in R.S. 11:403 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement age but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. Generally, active regular plan members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the LASERS Board of Trustees.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member, hired before January 1, 2011, who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of ten years of service credit with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased member's spouse must have been married for at least one year before death.

LASERS has established a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. The projected benefit payments do not include provisions for potential future increases not yet authorized by the board of trustees as these ad hoc COLAs were deemed not to be substantively automatic.

Contributions

Employee contribution rates are established by R.S. 11.62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the pension system actuary. Employer contribution rates are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership.

Employer contributions to LASERS for fiscal year 2017 totaled $124,781, with regular plan active members contributing 8%, and employer contributions of 35.8% of covered payroll for the period January through June and 37.9% of covered payroll for the period July through December.

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

At December 31, 2017, the District reported a liability of $1,307,463 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on projections of the District's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2017, the most recent measurement date, the District's proportion and the change in proportion from the prior measurement date were 0.01858%, or an increase of 0.00419%.

For the year ended December 31, 2017, the District recognized a total pension expense of $219,820. At December 31, 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	$0	$23,990
Changes of assumptions	5,165	0
Net difference between projected and actual earnings on pension plan investments	42,516	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	206,524	14,425
Employer contributions subsequent to the measurement date	64,403	0
Total	$318,608	$38,415

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

Year Ended	
2018	$96,309
2019	128,788
2020	17,014
2021	(26,322)
	$215,789

Actuarial Assumptions

The total pension liability for LASERS in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.70% per annum, net of investment exp.
Inflation Rate	2.75% per annum
Mortality - Non-disabled	RP-2000 Combined Healthy Mortality Table, improvement projected to 2015
Mortality - Disabled	RP-2000 Disabled Retiree Mortality Table
Termination, Disability, Retirement	2009-2013 experience study
Salary Increases	2009-2013 experience study, ranging from 2.8% to 14.3%
Cost of Living Adjustments	Not substantively automatic

There were several changes in assumptions for the June 30, 2017, valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The Board reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%. In addition, the projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

The long-term expected rate of return 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 expenses 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 of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69%. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	(0.24%)
Domestic equity	25.00%	4.31%
International equity	32.00%	5.35%
Domestic fixed income	8.00%	1.73%
International fixed income	6.00%	2.49%
Alternative investments	22.00%	7.41%
Global tactical asset allocation	7.00%	2.84%
Total	100.00%	5.26%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. 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 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 proportionate share of the NPL to changes in the discount rate

The following presents the District's proportionate share of the NPL using the current discount rate as well as what the District's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(6.70%)	(7.70%)	(8.70%)
Proportionate Share of NPL	$1,641,371	$1,307,463	$1,023,561

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in LASERS separately-issued Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

At December 31, 2017, the District had $10,055 in payables to LASERS for the December 2017 employee and employer legally-required contributions.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other postemployment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System,) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, this plan is not administered as a trust and no plan assets have been accumulated as of June 30, 2018. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage also have access to four fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At December 31, 2017, the District reported a liability of $53,235 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The District's proportionate share of the restated total collective OPEB liability at June 30, 2017, totaling $55,577, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses.

The District's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. At December 31, 2017, the District's proportion was 0.0006%. Because the beginning balance was restated using a roll back of the July 1, 2017, valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

The total collective OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.48
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the pension plan disclosed in note 7
- Discount rate – 3.13% based on June 30, 2017 Standard & Poor's 20-year municipal bond index rate

- Mortality rates – based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.

- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

<u>Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate</u>

The following presents the District's proportionate share of the total collective OPEB liability using the current discount rate as well as what the District's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(2.13%)	(3.13%)	(4.13%)
Proportionate Share of Total Collective OPEB Liability	$62,510	$53,235	$45,920

<u>Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates</u>

The following presents the District's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the District's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
	(6% decreasing to 3.5%)	(7% decreasing to 4.5%)	(8% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$45,884	$53,235	$62,656

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

For the year ended December 31, 2017, the District recognized OPEB expense of $1,832. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$0	$2,814
Differences between benefit payments and proportionate share of benefit payments	0	1,360
Total	$0	$4,174

Deferred outflows of resources related to OPEB resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2018	$1,199
2019	1,199
2020	1,199
2021	577
	$4,174

9. COMPENSATED ABSENCES

At December 31, 2017, employees of the District have accumulated and vested annual leave of $35,395. The balance was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

10. LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the District for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Portion Due Within One Year
Bonds Payable (note 6)	$0	$13,808,917	($7,084)	$13,801,833	$500,000
Compensated absences payable (note 9)	32,426	8,397	(5,428)	35,395	
Total	$32,426	$13,817,314	($12,512)	$13,837,228	$500,000

Information about changes in the net pension liability and the OPEB liability are contained in notes 7 and 8 respectively.

11. CLAIMS AND LITIGATION

The District is exposed to various risks of losses related to general liability: theft of damage to, and destruction of assets; errors and omissions; and natural disasters. There is no pending litigation or claims against the District at December 31, 2017, which, if asserted, in the opinion of the District's legal counsel, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

12. RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE

The beginning net position and beginning fund balance as reflected on Statement B have been restated to reflect the following changes:

	Government-wide Net Position	General Fund Fund Balance
Net Position/Fund Balance at December 31, 2016	$33,299,301	$12,489,834
Correction of errors in revenue recognition	73,345	201,034
Correction of errors in pension liability recognition	(133,887)	
Capital asset adjustments	12,112	
Implementation of new accounting standard	(17,731)	
Beginning Net Position/Fund Balance, as restated	$33,233,140	$12,690,868

The restatements decreased the District's beginning net position and beginning fund balance by $66,161 and $201,034 respectively. Had these adjustments affecting fiscal year 2016 been included in the December 31, 2016 Statement of Activities and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the previously reported change in net position and change in fund balance of $5,560,012 and $3,163,917 would have been $5,493,851 and $3,364,951.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability

Schedule 1 presents the District's Net Pension Liability.

Schedule of the District's Contributions

Schedule 2 presents the amount of contributions the District made to pension systems.

Schedule of the District's Proportionate Share of the Total Collective OPEB Liability

Schedule 3 presents certain specific data regarding the District's share of the total collective OPEB liability.

NORTH LAFOURCHE CONSERVATION, LEVEE AND DRAINAGE DISTRICT
STATE OF LOUISIANA

Schedule of the District's Proportionate Share of the Net Pension Liability — Schedule 1

Year*	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2015	0.01383%	$940,853	$245,678	383%	62.7%
2016	0.01439%	$1,129,668	$256,683	440%	57.7%
2017	0.01858%	$1,307,463	$302,565	432%	62.5%

*Amounts presented were determined as of the measurement date (June 30).

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

Schedule of the District's Contributions — Schedule 2

Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Agency's covered payroll	Contributions as a percentage of covered payroll
Louisiana State Employees' Retirement System					
2015	$93,229	$93,229	$0	$251,281	37.1%
2016	$96,602	$96,602	$0	$264,788	36.5%
2017	$124,781	$124,781	$0	$338,486	36.9%

*Amounts presented were determined as of the end of the fiscal year (December 31).

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

Notes to Required Supplementary Information

Changes of Benefit Terms include:

(1) A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
(2) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

There were several changes in assumptions for the June 30, 2017, valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The Board reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%. In addition, the projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

NORTH LAFOURCHE CONSERVATION, LEVEE AND DRAINAGE DISTRICT
STATE OF LOUISIANA

Schedule of the District's Proportionate Share of the Total Collective OPEB Liability
Last 10 Fiscal Years

	Fiscal Year End*	
	December 31, 2017	**December 31, 2016**
Employer's proportion of the total collective OPEB liability	0.0006%	0.0006%
Employer's proportionate share of the total collective OPEB liability	$53,235	$55,577
Employer's covered-employee payroll	$270,960	$146,000
Employer's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll	19.65%	38.07%

*The amounts presented for each fiscal year were determined as of the beginning of the state's fiscal year (on the measurement date).

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

Notes to Required Supplementary Information (Schedule 3)

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes in assumptions -
In the valuation for 2017, the discount rate increased from 2.71% to 3.13%.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 27, 2018

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*

Independent Auditor's Report

NORTH LAFOURCHE CONSERVATION, LEVEE AND DRAINAGE DISTRICT
STATE OF LOUISIANA
Raceland, 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 North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 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 August 27, 2018. Our report was modified to include an emphasis of matter section regarding actuarial assumptions and financial statement comparability.

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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 did not disclose any instances of noncompliance.

Purpose of this Report

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

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DMF:CR:BH:EFS:aa

NLCLDD 2018