

Financial Report



Houma, Louisiana

For the year ended June 30, 2018

Financial Report
Terrebonne Levee and Conservation District
Houma, Louisiana
For the year ended June 30, 2018

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Terrebonne Levee and Conservation District

For the year ended June 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Terrebonne Levee and Conservation District (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Terrebonne Levee and Conservation District as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in the District's Total OPEB Liability & Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions on pages 4 through 11, 50, 51 and 52 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Morganza to the Gulf Fund and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 53 through 54 and 55, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, on page 61 is presented for purposes of additional analysis as required by the *U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2018 on our consideration of the Terrebonne Levee and Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the District's internal control over financial reporting and compliance.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 18, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Terrebonne Levee and Conservation District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the close of fiscal year 2018 by \$357,071,534 (net position), which represents a 9.1% increase from last fiscal year.
- The District's capital asset additions included approximately \$49.6 million of levees, floodwalls and other hurricane protection assets.
- The District's revenue decreased \$7,244,332 or 12.6% due primarily to decreases in drawdowns from Terrebonne Parish Consolidated Government (the Parish) and Federal CDBG money received.
- The District's total expenses increased \$1,032,679 or 5.3% due primarily to the increases in depreciation and payments for debt service due to new debt issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual report consists of five parts: (1) management's discussion and analysis, (2) basic financial statements, (3) supplementary information, (4) various governmental internal control and compliance reports and schedules by certified public accountants and management, and (5) statewide agreed upon procedures.

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during the fiscal year 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is public safety (hurricane and flood protection). The government-wide financial statements can be found on pages 12-16 of this report.

Fund Financial Statements

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

Governmental Funds

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

The District maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Morganza to the Gulf Fund and Debt Service Fund. The District adopts an annual appropriated budget for its General and, although not legally required, Morganza to the Gulf Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 12-18 of this report. A budgetary comparison statement for the Morganza to the Gulf Fund has been provided in the Supplementary Information section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For fiscal year ended June 30, 2018, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$357,071,534. By far, the largest portion of the District's net position (90.26%) reflects its net investment in capital assets (e.g., land, building, equipment, hurricane and flood protection). The District uses these capital assets to provide hurricane and flood protection to the citizens of Terrebonne Parish. Consequently, these assets are not available for future spending. The District's restricted net position amounted to \$16,797,936. Restrictions placed on net position pertain to spending for debt service and capital project spending for the Morganza to the Gulf Project. Unrestricted net amounted to \$17,976,733, following recognition of long-term obligations for other postemployment benefits, \$1,681,905, and the net pension liability of \$3,345,556.

Terrebonne Levee and Conservation District Condensed Statement of Net Position

	June 30,		Dollar Change	Total % Change
	2018	2017		
Current and other assets	\$ 42,181,354	\$ 36,755,130	\$ 5,426,224	14.8%
Capital assets	434,110,197	396,820,702	37,289,495	9.4%
Total assets	<u>476,291,551</u>	<u>433,575,832</u>	42,715,719	9.9%
Deferred outflow of resources	980,136	1,288,943	(308,807)	-24.0%
Total assets and deferred outflows of resources	<u>477,271,687</u>	<u>434,864,775</u>	42,406,912	9.8%
Long-term liabilities outstanding	98,466,054	91,086,892	7,379,162	8.1%
Other liabilities	19,266,490	13,948,827	5,317,663	38.1%
Total liabilities	<u>117,732,544</u>	<u>105,035,719</u>	12,696,825	12.1%
Deferred inflow of resources	2,467,609	2,271,823	195,786	8.6%
Total liabilities and deferred inflows of resources	<u>120,200,153</u>	<u>107,307,542</u>	12,892,611	12.0%
Net position:				
Net investment capital assets	322,296,865	297,492,515	24,804,350	8.3%
Restricted	16,797,936	18,165,596	(1,367,660)	-7.5%
Unrestricted	17,976,733	11,624,312	6,352,421	54.6%
Total net position	<u>\$ 357,071,534</u>	<u>\$ 327,282,423</u>	<u>\$ 29,789,111</u>	9.1%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Governmental activities increased the Terrebonne Levee and Conservation District net position by \$29,789,111. Key elements of this increase are as follows:

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

	June 30,		Dollar Change	Total % Change
	2018	2017		
Revenues:				
Taxes	\$ 15,267,175	\$ 14,747,479	\$ 519,696	3.5%
Intergovernmental:				
Federal:				
CDBG	5,098,702	8,643,807	(3,545,105)	-41.0%
FEMA	181,016	25,086	155,930	621.6%
State of Louisiana:				
State revenue sharing	115,493	113,597	1,896	1.7%
State reimbursement grants	23,393,080	22,156,815	1,236,265	5.6%
Terrebonne Parish				
Consolidated Government	6,080,972	11,685,100	(5,604,128)	-48.0%
Miscellaneous				
Interest income	231,118	112,382	118,736	105.7%
Other	(196,405)	(68,783)	(127,622)	185.5%
Total revenues	<u>50,171,151</u>	<u>57,415,483</u>	<u>(7,244,332)</u>	-12.6%
Expenses:				
Current:				
General government	227,150	202,656	24,494	12.1%
Public safety	16,241,328	15,412,923	828,405	5.4%
Debt service	3,913,562	3,733,782	179,780	4.8%
Total expenses	<u>20,382,040</u>	<u>19,349,361</u>	<u>1,032,679</u>	5.3%
Increase in net position	<u>29,789,111</u>	<u>38,066,122</u>	<u>(8,277,011)</u>	-21.7%
Net position beginning of year	327,282,423	289,491,111	37,791,312	13.1%
Restatement, implementation of GASB No. 75	-	(274,810)	274,810	100.0%
Net position, beginning of year, as restated	<u>327,282,423</u>	<u>289,216,301</u>	<u>38,066,122</u>	13.2%
Net position end of year	<u>\$ 357,071,534</u>	<u>\$ 327,282,423</u>	<u>\$ 29,789,111</u>	9.1%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

As noted earlier, the District's revenue decreased \$7,244,332. The decrease in revenues were led by the net effect of decreases of \$8,852,244 in drawdowns of the proceeds of ¼ cent sales tax collected by the Parish and increases to reimbursements for capital outlay of \$3,248,116 by the Parish. State reimbursement grants for the Houma Navigational Canal lock, floodgates and reach G-2 increased state reimbursement grants by \$1,236,265. Federal CDBG funds passed through the Parish decreased \$3,545,105. Miscellaneous other revenue decreased by \$127,622 following losses recognized on the sale of equipment.

Total expenses increased by \$1,032,679 or 5.3%. Public safety and debt service expenses primarily accounted for the increase. Within the public safety category, the increases were primarily in non-cash expenses such as depreciation, \$789,191. The net effect of increase also included decreases to personal services by \$120,082 due to decreases in the change of OPEB liability and pension related liabilities and decreases to repairs and maintenance by \$279,115 due to repairs required during the year. Within the debt service category, the increases were primarily in bond issuance cost for the issuance of bonds in the current year as well as the increase in expenses for interest as related to the new debt, resulting in an overall increase of \$179,780.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,609,955 an increase of \$41,419 in comparison with the prior year. The unassigned fund balance is \$3,998,794 and \$16,611,161 is restricted to indicate that it is not available for discretionary spending because it has already been restricted for capital projects (Morganza-to-the-Gulf) and debt service.

Budgetary Highlights

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

Revenues

- Increase of \$201,390 in ad valorem collections to reflect the collections made during the year.
- Decrease in state reimbursement grants by \$50,000 to reflect the lack of state funding.
- Increase of \$36,660 in interest expense to reflect interest earned through the end of the year.

Expenditures

- Decrease of \$109,861 in personal services to reflect anticipated changes made in employees during the year.
- Increase of \$95,489 in disaster recovery to reflect payments to employees.
- Decrease of \$113,290 in insurance due less premiums in current year.
- Increase of \$39,227 in repairs and maintenance to reflect repairs needed during the year.
- Increase of \$321,051 in capital outlay to reflect capital expenditures completed during the year.

During the year, General Fund revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. While not legally required to do so, the District prepares an annual budget for the Morganza to the Gulf Capital Projects Fund. During the year anticipated capital outlay on the Morganza to the Gulf project was less than anticipated and resulted in budget decreases in expenditures of \$26,256,308. For the year ended June 30, 2018, capital project fund revenues and expenditures exceeded the related budgeted amounts.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$434,110,197 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, and hurricane and flood protection (see table on next page).

CAPITAL ASSETS (Continued)

	June 30,		Dollar Change	Total % Change
	2018	2017		
Land	\$ 121,461	\$ 121,461	\$ -	0.0%
Construction in progress	-	379,138	(379,138)	-100.0%
Building	579,814	598,050	(18,236)	-3.0%
Equipment	2,281,618	1,886,125	395,493	21.0%
Hurricane and flood protection	431,127,304	393,835,928	37,291,376	9.5%
Totals	<u>\$ 434,110,197</u>	<u>\$ 396,820,702</u>	<u>\$ 37,289,495</u>	9.4%

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

- Construction and substantial upgrades on the following: Morganza to the Gulf reaches and projects: PAC J-1, PAC J-2, Reach J-3, PAC floodgate, Houma Navigational Canal Structure, Reach B, Falgout Canal Levee, Reach E, Reach G-2, Bayou 4 Point, and various others.
- Purchase of three vehicles.
- Completion of Marsh Buggy that was removed from construction in progress.
- Purchase of two dozers.
- Purchase of two dump trucks.
- Purchase of various office equipment and furniture.
- Engineering, design and real estate acquisition associated with the various features of the Morganza to the Gulf Hurricane Protection Project.

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

Long-term Obligations

As of June 30, 2018, the District had \$79,875,000 of public improvement sales tax bonds outstanding after principal payments of \$2,355,000 during 2018. During the year, the District also issued revenue bonds totaling \$10,000,000, with principal payments starting in 2020. In addition, the District recognized a net pension liability of \$3,345,556 as its proportionate share of the unfunded pension liability of the Louisiana State Employees Retirement System as of June 30, 2018. Also the District has recognized \$1,681,905 in obligations for its other postemployment benefits. More detailed information about the District's long-term obligations is presented in Note 7, Exhibit F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The ad valorem tax revenue budgeted represents the estimated amount of the November 2018 assessment, which the District will receive, for the most part, in January 2019.
- The District anticipates receiving \$10,200,000 in ½% sales taxes, \$5,100,000 in ¼% sales tax, capital outlay funds of \$31,700,000, and \$17,600,000 in TPCG funds through a sub recipient agreement to utilize CDBG dollars for specified projects. An itemized breakdown accompanies the proposed budget.
- The District expects to spend \$3,000,000 in operations and maintenance funds.
- The District expects to spend \$86,800,000 in capital expenditures on Morganza to the Gulf Project.

REQUESTS FOR INFORMATION

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

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

June 30, 2018

	General Fund	Morganza to the Gulf Fund	Debt Service Fund	Total	Adjustments (Exhibit B)	Statement of Net Position
Assets						
Cash	\$ 8,509,237	\$ 9,658,844	\$ 615,217	\$ 18,783,298		\$ 18,783,298
Investments	-	5,425,450	1,747,290	7,172,740		7,172,740
Receivables - taxes						
Ad valorem	45,092	-	-	45,092		45,092
Sales and use	-	956,209	-	956,209		956,209
Due from other governmental units	70,349	15,153,361	-	15,223,710		15,223,710
Due from other funds	-	1,015,003	530,000	1,545,003	\$ (1,545,003)	-
Security deposits	305	-	-	305	-	305
Capital assets -						
Non-depreciable	-	-	-	-	121,461	121,461
Depreciable, net of accumulated depreciation	-	-	-	-	433,988,736	433,988,736
Total assets	8,624,983	32,208,867	2,892,507	43,726,357	432,565,194	476,291,551
Deferred Outflows of Resources						
Pensions	-	-	-	-	980,136	980,136
Total assets and deferred outflows of resources	\$ 8,624,983	\$ 32,208,867	\$ 2,892,507	\$ 43,726,357	433,545,330	477,271,687
Liabilities						
Accounts payables and accrued expenditures	\$ 73,011	\$ 14,386,262	\$ -	\$ 14,459,273	-	14,459,273
Liability for work completed on contracts	203,266	4,103,951	-	4,307,217	-	4,307,217
Due to other governments	500,000	-	-	500,000	-	500,000
Due to other funds	1,545,003	-	-	1,545,003	(1,545,003)	-
Non-current liabilities:						
Due within one year	-	-	-	-	2,787,434	2,787,434
Due after one year	-	-	-	-	95,678,620	95,678,620
Total liabilities	2,321,280	18,490,213	-	20,811,493	96,921,051	117,732,544
Deferred Inflows of Resources						
Ad valorem	2,304,909	-	-	2,304,909	-	2,304,909
Pensions	-	-	-	-	61,387	61,387
Other postemployment benefits	-	-	-	-	101,313	101,313
Total deferred inflows of resources	2,304,909	-	-	2,304,909	162,700	2,467,609
Total liabilities and deferred inflows of resources	4,626,189	18,490,213	-	23,116,402	97,083,751	120,200,153
Fund Balances/Net Position						
Fund balances:						
Restricted	-	13,718,654	2,892,507	16,611,161	(16,611,161)	-
Unassigned	3,998,794	-	-	3,998,794	(3,998,794)	-
Total fund balances	3,998,794	13,718,654	2,892,507	20,609,955	(20,609,955)	-
Total liabilities and fund balances	\$ 8,624,983	\$ 32,208,867	\$ 2,892,507	\$ 43,726,357		
Net position:						
Net investment in capital assets					322,296,865	322,296,865
Restricted - debt service					2,362,507	2,362,507
Restricted - Morganza to the Gulf Project					14,435,429	14,435,429
Unrestricted					17,976,733	17,976,733
Total net position					\$ 357,071,534	\$ 357,071,534

See notes to financial statements.

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

Terrebonne Levee and Conservation District

June 30, 2018

Fund Balances - Governmental Fund		\$ 20,609,955
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 521,395,954	
Less accumulated depreciation	<u>(87,285,757)</u>	434,110,197
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		
		980,136
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(93,301,711)	
Other postemployment benefit obligation	(1,681,905)	
Net pension liability	(3,345,556)	
Compensated absences payable	<u>(136,882)</u>	(98,466,054)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in governmental funds.		
		<u>(162,700)</u>
Net Position of Governmental Activities		<u>\$ 357,071,534</u>

See notes to financial statements.

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

	General Fund	Morganza to the Gulf Fund	Debt Service Fund	Total	Adjustments (Exhibit D)	Statement of Activities
Revenues						
Taxes						
Ad valorem	\$ 4,588,875			\$ 4,588,875		\$ 4,588,875
Sales and use	-	\$ 10,678,300		10,678,300		10,678,300
Intergovernmental:						
Federal:						
CDBG	-	5,098,702		5,098,702		5,098,702
FEMA	-	181,016		181,016		181,016
State of Louisiana:						
State revenue sharing	115,493	-		115,493		115,493
State reimbursement grants	101,851	23,291,229		23,393,080		23,393,080
Terrebonne Parish						
Consolidated Government	-	6,080,972		6,080,972		6,080,972
Miscellaneous:						
Investment earnings	73,775	116,966	\$ 40,377	231,118		231,118
Other	546	22,640	-	23,186	\$ (219,591)	(196,405)
Total revenues	<u>4,880,540</u>	<u>45,469,825</u>	<u>40,377</u>	<u>50,390,742</u>	<u>(219,591)</u>	<u>50,171,151</u>
Expenditures/Expenses						
Current:						
General government:						
Ad valorem tax adjustment	73,021	-	-	73,021	-	73,021
Ad valorem tax deductions	154,129	-	-	154,129	-	154,129
Total general government	<u>227,150</u>	<u>-</u>	<u>-</u>	<u>227,150</u>	<u>-</u>	<u>227,150</u>
Public safety:						
Personal services:						
Salaries and related benefits	2,167,055	-	-	2,167,055	189,813	2,356,868
Supplies and materials:						
Office and shop supplies	20,731	25,026	-	45,757	-	45,757
Fuel for heavy equipment	-	141,296	-	141,296	-	141,296
Other services and charges:						
Disaster recovery	95,488	5,764	-	101,252	-	101,252
Insurance	95,717	4,275	-	99,992	-	99,992
Occupancy	54,669	449	-	55,118	-	55,118
Professional services	106,036	73,012	-	179,048	-	179,048
Travel and meals	9,862	589	-	10,451	-	10,451
Miscellaneous and other	19,912	240,295	3,194	263,401	-	263,401
Repairs and maintenance	95,789	272,235	-	368,024	-	368,024
Depreciation	-	-	-	-	12,620,121	12,620,121
Total public safety	<u>2,665,259</u>	<u>762,941</u>	<u>3,194</u>	<u>3,431,394</u>	<u>12,809,934</u>	<u>16,241,328</u>

	General Fund	Morganza to the Gulf Fund	Debt Service Fund	Total	Adjustments (Exhibit D)	Statement of Activities
Expenditures/Expenses (Continued)						
Debt Service:						
Bond issuance cost			107,100	107,100	-	107,100
Principal payments	-	-	2,355,000	2,355,000	(2,355,000)	-
Interest payments	-	-	4,099,742	4,099,742	(293,280)	3,806,462
Total debt service	-	-	6,561,842	6,561,842	(2,648,280)	3,913,562
Capital outlay:						
General operations	86,391	607,965	-	694,356	(694,356)	-
Hurricane and flood protection	257,243	49,306,908	-	49,564,151	(49,564,151)	-
Total capital outlay	343,634	49,914,873	-	50,258,507	(50,258,507)	-
Total expenditures/ expenses	3,236,043	50,677,814	6,565,036	60,478,893	(40,096,853)	20,382,040
Excess (Deficiency) of Revenues over Expenditures	1,644,497	(5,207,989)	(6,524,659)	(10,088,151)	39,877,262	29,789,111
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	7,800	121,500	-	129,300	(129,300)	-
Bond proceeds	-	-	10,000,000	10,000,000	(10,000,000)	-
Transfers in		4,283,072	-	4,283,072	(4,283,072)	-
Transfers out	(56,713)	-	(4,226,359)	(4,283,072)	4,283,072	-
Total other financing sources	(48,913)	4,404,572	5,773,641	10,129,300	(10,129,300)	-
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	1,595,584	(803,417)	(751,018)	41,149	(41,149)	-
Change in Net Position	-	-	-	-	29,789,111	29,789,111
Fund Balances/Net Position						
Beginning of year, as restated	2,403,210	14,522,071	3,643,525	20,568,806	306,713,617	327,282,423
End of year	<u>\$ 3,998,794</u>	<u>\$ 13,718,654</u>	<u>\$ 2,892,507</u>	<u>\$ 20,609,955</u>	<u>\$ 336,461,579</u>	<u>\$ 357,071,534</u>

See notes to financial statements.

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Net Change in Fund Balances - Governmental Fund		\$ 41,149
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 50,258,507	
Depreciation expense	<u>(12,620,121)</u>	
Excess of capital outlay over depreciation expense		37,638,386
The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins and dispositions, is to decrease net position.		
		(348,891)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however as an effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments	2,355,000	
Bond proceeds	<u>(10,000,000)</u>	
		(7,645,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of bond premiums	293,280	
Other postemployment benefits	(210,940)	
Pension expense	19,641	
Compensated absences	<u>1,486</u>	<u>103,467</u>
Change in Net Position of Governmental Activities		\$ <u>29,789,111</u>

See notes to financial statements.

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes-ad valorem	\$ 4,200,000	\$ 4,401,390	\$ 4,361,725	\$ (39,665)
Intergovernmental:				
State of Louisiana:				
State revenue sharing	115,000	102,537	115,493	12,956
Reimbursement grants	50,000	-	101,851	101,851
Miscellaneous:				
Interest	12,000	48,660	73,775	25,115
Other	-	-	546	546
	<u>4,377,000</u>	<u>4,552,587</u>	<u>4,653,390</u>	<u>100,803</u>
Expenditures				
Current:				
Public safety:				
Personal services:				
Salaries and related benefits	2,262,487	2,152,626	2,167,055	(14,429)
Supplies and materials:				
Office and shop supplies	15,000	23,600	20,731	2,869
Other services and charges:				
Disaster Recovery	-	95,489	95,488	1
Insurance	196,485	83,195	95,717	(12,522)
Occupancy	48,000	46,435	54,669	(8,234)
Professional services	112,500	120,214	106,036	14,178
Travel and meals	16,000	12,446	9,862	2,584
Miscellaneous and other	21,000	44,524	19,912	24,612
Repairs and maintenance	45,000	84,227	95,789	(11,562)
	<u>2,716,472</u>	<u>2,662,756</u>	<u>2,665,259</u>	<u>(2,503)</u>

**Exhibit E
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures (Continued)				
Capital outlay:				
General operations	23,750	91,068	86,391	4,677
Hurricane and flood protection	53,165	306,898	257,243	49,655
Total capital outlay	76,915	397,966	343,634	54,332
Total expenditures	2,793,387	3,060,722	3,008,893	51,829
Excess of Revenues Over Expenditures	1,583,613	1,491,865	1,644,497	152,632
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	6,221	7,800	1,579
Transfers out	-	(56,713)	(56,713)	-
Total other financing sources (uses)	-	(50,492)	(48,913)	1,579
Excess of Revenues and Other Financing Sources over Expenditures	1,583,613	1,441,373	1,595,584	154,211
Fund Balance				
Beginning of year	2,591,215	2,403,210	2,403,210	-
End of year	\$ 4,174,828	\$ 3,844,583	\$ 3,998,794	\$ 154,211

See notes to financial statements.

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

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

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

Because of fiscal interdependency the District is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2018.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (Continued)

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

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

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

b) Basis of Presentation

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

Government-wide Financial Statements:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (Continued)

Government-wide Financial Statements: (Continued)

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

Fund Financial Statements:

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

The following are the governmental funds of the District:

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

Morganza to the Gulf Fund - The Morganza to the Gulf Fund is used to account for and report the proceeds from Public Improvement Sales Tax Bonds, Series 2013, drawdowns of a dedicated $\frac{1}{4}\%$ sales tax from the Parish, a dedicated $\frac{1}{2}\%$ sales tax levied by the District, expenditures and related reimbursements for the Morganza to the Gulf hurricane protection project. The purpose of the Morganza to the Gulf Fund is for the construction and maintenance of a hurricane protection system. Sales tax and drawdowns from the Parish are legally restricted to expenditures for the Morganza to the Gulf hurricane protection project. The Morganza to the Gulf Fund is a capital projects fund and is reported as a major fund.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Nonexchange transactions, in which the District receives value without giving value in return, include sales tax, property tax and grants. Grant revenue from the Federal government, the State of Louisiana and Terrebonne Parish Consolidated Government, is recognized in the fiscal year in which all eligibility requirements have been satisfied. Ad valorem taxes and the related state revenue sharing (intergovernmental revenue) are recorded as revenue in the period for which levied. Thus, the 2017 property taxes which are being levied to finance expenditures for the 2018 calendar year will be recognized,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (Continued)

as revenue in the fiscal years ending June 30, 2018 and 2019. Accordingly approximately one half of the 2017 tax levy is recorded as deferred inflows of resources in the General Fund as of June 30, 2018. Ad valorem tax adjustments represent unpaid taxes that are recognized as general government expenditures when the related tax levy is recognized as revenue. Ad valorem tax deductions represent withheld amounts to fund expenditures of the Terrebonne Parish Assessor and are also recognized as general government expenditures when the related tax revenue is recognized. Sales and use taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Miscellaneous revenues are recorded as revenues when received in cash by the District or an intermediary collecting agency because they are generally not measurable or available until actually received.

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

d) Use of Estimates

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

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board adopted a budget for the District's General Fund. The Board also adopted an annual budget for its capital projects fund, Morganza to the Gulf. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budgets twice during the year ended June 30, 2018. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Operating Budgetary Data (Continued)

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

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

f) Accounts Receivable

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

g) Capital Assets

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

Government-wide Financial Statements:

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Assets (Continued)

Fund Financial Statements:

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

h) Deferred Outflows/Inflows of Resources

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

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

i) Long-Term Obligations

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Compensated Absences

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

In the government-wide financial statements, the net change in accumulated annual leave liability is recorded as an expense and the total a long-term obligation. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, no compensated absences liability is recorded as of June 30, 2018 in the governmental fund-type financial statements.

k) Other Postemployment Benefits

GASB No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions, requires governments to accrue postemployment benefits to the extent it is probable the employer will provide benefits conditioned on the employees' retirement. The District has recorded liabilities for postemployment health care and life insurance benefits as of June 30, 2018.

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

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

l) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS fiduciary net position have been

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Pensions (Continued)

determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m) Interfund Transactions

In the governmental fund financial statements, interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables (due from) and payables (due to) as appropriate. Transfers represent permanent reallocation of resources between funds. In other words, they are not expected to be repaid. For reporting purposes, all interfund transactions between individual governmental funds have been eliminated in the government-wide financial statements. As of June 30, 2018, the District did not have any non-current interfund loans/borrowing arrangements. Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

n) Fund Equity

Government-wide Statements:

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fund Equity (Continued)

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

Fund Financial Statements:

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

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

For the classification of governmental fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available. The District's fund balance was classified as restricted and unassigned as of June 30, 2018.

o) Restatement of Net Position

Effective for the year ended June 30, 2018, the District implemented GASB statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*". Implementation of the new accounting standard required restatement of beginning net position for the new OPEB liability.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Restatement of Net Position (Continued)

The restatement had the following impact on previously reported balances.

Statement of Activities	Governmental Activities
Net position, July 1, 2017, as previously reported	\$ 327,557,233
Restatement for implementation of GASB Statement No. 75 (Note 1p)	<u>(274,810)</u>
Net position, July 1, 2017, restated	<u>\$ 327,282,423</u>

p) New GASB Statements

During the year ending June 30, 2018, the District implemented the following GASB Statements:

Statement No. 75, *"Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions"* replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Implementation of this Statement required the restatement of net position as of July 1, 2017 for cumulative unfunded actuarial liability as described in Note 1o).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New GASB Statements (Continued)

Statement No. 81, "*Irrevocable Split Interest Agreements*" provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the District's financial statements.

Statement No. 85, "*Omnibus 2017*." On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "*Omnibus 2017*" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topic covered, GASB is allowing the option of early implementation for single topics. This Statement did not affect the District's financial statements.

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New GASB Statements (Continued)

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New GASB Statements (Continued)

Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"* improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 30, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 90, *"Majority Equity Interest"* the primary objectives of this Statement are to improve the consistency and comparability of reporting government's majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units. It specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method. This Statement establishes that ownership of a majority equity

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New GASB Statements (Continued)

interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as component unit. The requirements of this Statement are effective for reporting period beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

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

Bank Deposits:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk which requires compliance with state law. As of June 30, 2018, \$18,918,859 of the District's bank balance of \$19,418,859 (with a report value of \$18,782,828) was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in the District's name by state statutes.

As of June 30, 2018, deposits in excess of the FDIC insurance were collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. GASB, which promulgates the standards for accounting and financial reporting for state and local governments, considers these deposits subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the

Note 2 - DEPOSITS AND INVESTMENTS

provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

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

As of June 30, 2018, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years		
		<1	1 - 2	>2
Federal Home Loan				
Bank Notes	\$ 349,537	\$ 349,537	\$ -	\$ -
Federal Home Loan				
Mortgage Corporation	495,391	495,391	-	-
Federal National Mortgage				
Association (FNMA)				
Notes	349,013	349,013	-	-
United States Treasury				
T-Bill	<u>5,978,799</u>	<u>4,783,714</u>	<u>1,195,085</u>	<u>-</u>
Totals	<u>\$ 7,172,740</u>	<u>\$ 5,977,655</u>	<u>\$ 1,195,085</u>	<u>\$ -</u>

Interest rate risk is the risk that the District is exposed to fair value losses from increasing interest rates. The District does not have a formal policy limiting maturities that would help manage interest rate risk. The above table includes the District's investment portfolio. \$5,977,655 of the portfolio balance of \$7,172,740, matures within one year and the remaining balance of \$1,195,085 matures within two years, limiting the District's exposure to interest rate risk.

Custodial credit risk for investments is the risk that, in the event of bank failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy for custodial risk follows the investment policy statutes of the state.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy for credit risk follows the investment policy in state statutes. The District has no investments that are certificates of deposit which are covered by FDIC insurance. All of the District's investments are U.S. government securities which are not considered to have custodial risk.

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

Certain cash and investments of the District are legally restricted for specified purposes. The major types of restrictions as of June 30, 2018 were (a) those imposed by revenue source (i.e. sales tax), (b) debt service funds and (c) unspent debt proceeds.

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

Cash on hand	\$ 470
Reported amount of deposits	18,782,828
Reported amount of investments	<u>7,172,740</u>
Totals	<u>\$ 25,956,038</u>
Cash and cash equivalents	\$ 18,783,298
Investments	<u>7,172,740</u>
Totals	<u>\$ 25,956,038</u>

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2016. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended June 30, 2018 was \$4.89 per \$1,000 of assessed valuation on property within Terrebonne Levee and Conservation District for the purpose of acquiring, constructing, maintaining and operating hurricane protection facilities within the District.

Note 3 - PROPERTY TAXES (Continued)

As indicated in Note 1c), taxes levied November 1, 2017 are used to fund expenditures in calendar year 2018, therefore, one half of the 2017 tax levy is recognized as revenues in the fiscal year ended June 30, 2018 and one half in the year ending June 30, 2019. The one half of the 2017 tax levy and related state revenue sharing to be recognized as revenues in the fiscal year ending June 30, 2019 amounted to \$2,304,909 and is reported as deferred inflows of resources in the General Fund as of June 30, 2018.

Note 4 - DUE TO AND FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of June 30, 2018 consisted of the following:

	<u>General Fund</u>	<u>Morganza to the Gulf Fund</u>
State of Louisiana:		
Department of Transportation and Development	\$ -	\$ 2,000,000
Coastal Protection and Restoration Authority	51,821	7,986,529
FEMA	388	173,456
Terrebonne Parish Sheriff	18,140	
Terrebonne Parish Consolidated Government:		
Pass through CDBG grants	-	4,058,020
Sales and use tax department	-	935,356
	<u> </u>	<u> </u>
Totals	<u>\$ 70,349</u>	<u>\$ 15,153,361</u>

Amounts due to other governmental units as of June 30, 2018 consisted of the following:

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

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

Note 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 121,461	\$ -	\$ -	\$ 121,461
Construction in progress	379,138	188,019	(567,157)	-
Total capital assets not being depreciated	<u>500,599</u>	<u>188,019</u>	<u>(567,157)</u>	<u>121,461</u>
Capital assets being depreciated:				
Office building	690,971	-	-	690,971
Equipment, furniture, and fixtures	4,567,278	1,073,494	(754,727)	4,886,045
Hurricane and flood protection system infrastructure	466,133,326	49,564,151	-	515,697,477
Total capital assets being depreciated	<u>471,391,575</u>	<u>50,637,645</u>	<u>(754,727)</u>	<u>521,274,493</u>
Less accumulated depreciation for:				
Office building	(92,921)	(18,236)	-	(111,157)
Equipment, furniture, and fixtures	(2,681,153)	(329,110)	405,836	(2,604,427)
Hurricane and flood protection system infrastructure	(72,297,398)	(12,272,775)	-	(84,570,173)
Total accumulated depreciation	<u>(75,071,472)</u>	<u>(12,620,121)</u>	<u>405,836</u>	<u>(87,285,757)</u>
Total capital assets being depreciated, net	<u>396,320,103</u>	<u>38,017,524</u>	<u>(348,891)</u>	<u>433,988,736</u>
Total capital assets, net	<u>\$ 396,820,702</u>	<u>\$ 38,205,543</u>	<u>\$ (916,048)</u>	<u>\$ 434,110,197</u>

The marsh buggy that was in construction in progress in the prior year was completed and put into service during the year ended June 30, 2018.

Depreciation expense amounted to \$12,620,121 and was charged to public safety activities during the year ended June 30, 2018.

Note 5 - CHANGES IN CAPITAL ASSETS (Continued)

Construction Commitments

The District has active construction projects as of June 30, 2018. At year end the District's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Bayou 4 Point Ramp	\$ 1,101,966	\$ 8,150
Falgout Canal Flood Control	18,120,126	16,953,694
Falgout Canal Levee	17,636,066	2,405,576
Falgout Canal South Levee Tie-In	1,023,997	3,358,285
Foh's Canal Bridge	279,205	4,196,070
PAC Reach J-1 and J-2 Levee Rehab	2,062,328	2,668,588
Reach B Levee Access Road	265,106	28,447
Reach I Maintenance	3,086,341	2,136,583
	\$ 43,575,135	\$ 31,755,393
Totals		

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures as of June 30, 2018 consisted of the following:

	General Fund	Morganza to the Gulf Fund
Vendors	\$ 56,201	\$ 14,386,262
Accrued salaries and wages	16,810	-
	\$ 73,011	\$ 14,386,262
Totals		

Note 7 - LONG-TERM OBLIGATIONS

The District issued \$91,190,000 of Public Improvement Sales Tax Bonds, Series 2013 during the year ended June 30, 2014 for the purpose of constructing hurricane protection infrastructure (Morganza to the Gulf of Mexico Project). The bonds shall bear interest at an average rate of 4.78%, and are repayable through July 1, 2038 primarily from sales tax revenues. As of June 30, 2018, the principal and interest payment due July 1, 2018 was held by the bond paying agent and was considered paid in the financial statements.

Note 7 - LONG-TERM OBLIGATIONS (Continued)

The District issued \$10,000,000 of Revenue Bonds, Series 2017 during the year ended June 30, 2018 for the purpose of constructing the Falgout Canal Floodgate Project, additional flood control, and hurricane risk reduction projects. The bonds shall bear at a fixed rate of 2.55% during the initial purchase rate period and are repayable through July 1 2040 primarily from sales tax revenues. Payments on principal will not be made until July 1, 2020. As of June 30, 2018, the interest payment due July 1, 2018 was held by the bond paying agent and considered paid at the end of the fiscal year.

The following is a summary of the changes in long-term obligations of the District for the year ended June 30, 2018:

	<u>Payable July 1, 2016</u>	<u>Obligations Retired</u>	<u>New Issues</u>	<u>Payable June 30, 2017</u>
Public improvement bonds	\$ 82,230,000	\$ 2,355,000	\$ -	\$ 79,875,000
Series 2017, revenue bonds	-	-	10,000,000	10,000,000
Unamortized bond premium	3,719,991	293,280	-	3,426,711
Accumulated unpaid annual leave	138,368	1,486	-	136,882
Net pension liability	3,701,065	355,509	-	3,345,556
Other postemployment benefits, as restated	<u>1,572,278</u>	<u>-</u>	<u>109,627</u>	<u>1,681,905</u>
Total	<u>\$ 91,361,702</u>	<u>\$ 3,005,275</u>	<u>\$ 10,109,627</u>	<u>\$ 98,466,054</u>

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,470,000	\$ 4,080,450	\$ 6,550,450
2020	2,605,000	3,956,950	6,561,950
2021	2,970,000	3,826,945	6,796,945
2022	3,115,000	3,684,448	6,799,448
2023	3,265,000	3,534,945	6,799,945
2024-2028	18,720,000	15,269,970	33,989,970
2029-2033	23,205,000	10,779,635	33,984,635
2034-2038	29,060,000	4,931,650	33,991,650
2039-2040	<u>4,465,000</u>	<u>171,487</u>	<u>4,636,487</u>
Total	<u>\$ 89,875,000</u>	<u>\$ 50,236,480</u>	<u>\$ 140,111,480</u>

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District provides certain continuing health care and life insurance benefits for its retired employees. The District's OPEB Plan (the Plan) is a single-employer defined benefit OPEB plan administered by the District. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the District. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions-Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit*.

Medical benefits are provided through the Louisiana Office of Group Benefits (OGB) and involve several statewide networks and one HMO with a premium structure by region. The OGB plan is a fully insured, multiple-employer arrangement. Medical benefits are provided to employees upon actual retirement based on the following retirement eligibility (DROP entry) provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service.

Life insurance coverage under the OGB program is available to retirees by election and is based on the OGB blended rates (active and retired). The employer pays 50% of the cost of the retiree life insurance. While GASB 75 requires the use of "unblended" rates, we have used the OGB life insurance rates. Although they are "blended" rates, the blending is calculated across all covered groups and the blended rates are extraordinarily high; indeed, they are higher than the estimated "unblended" table which we considered using. Insurance coverage amounts are reduced at age 65 and again at age 70 according to the OGB plan provisions.

Employee Covered by Benefit Terms

Inactive employees currently receiving benefits payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>5</u>
Total	<u><u>5</u></u>

The District's total OPEB liability of \$1,681,905 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability

Actuarial Assumptions and other inputs

The total OPEB liability in June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Inflation	2.50%
Salary increases, include inflation	4.00%
Discount rate	3.87%
Healthcare cost trend rates	5.50%

The discount rate was based on the average of the Bond Buyers' 20 Year General municipal bond index as of June 30, 2018.

Mortality rates were based on the RP-2000 Table without project with 50%/50% unisex blend.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017, restated	<u>\$ 1,572,278</u>
Changes for the year:	
Service cost	159,564
Interest	62,000
Difference between expected and actual experience	(40,177)
Changes in assumptions	(68,929)
Benefit payments	<u>(2,831)</u>
Net Changes	<u>109,627</u>
Balance at June 30, 2018	<u><u>\$ 1,681,905</u></u>

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability (Continued)

Sensitivity to the total OPEB Liability to Change in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or higher than the current discount rate.

	<u>1.0% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1.0% Increase (4.87%)</u>
Total OPEB Liability	<u>\$ 1,968,496</u>	<u>\$ 1,681,905</u>	<u>\$ 1,453,578</u>

Sensitivity to the total OPEB Liability to Changes in the Health Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower or higher than healthcare cost trend rates.

	<u>1.0% Decrease (4.50%)</u>	<u>Current Health Cost Trend (5.50%)</u>	<u>1.0% Increase (6.50%)</u>
Total OPEB Liability	<u>\$ 1,450,290</u>	<u>\$ 1,681,905</u>	<u>\$ 1,976,387</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$213,771. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (37,307)
Changes in assumptions	-	<u>(64,006)</u>
Total	<u>\$ -</u>	<u>\$ (101,313)</u>

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability (Continued)

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

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

For the Year Ended June 30,	Amount
2019	\$ (7,793)
2020	(7,793)
2021	(7,793)
2022	(7,793)
2023	(7,793)
Thereafter	(62,348)
Total	\$ (101,313)

Note 9 - PENSION PLAN

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

Benefits Provided. LASERS provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.5% to 3.5% of the average compensation multiplied by the years of creditable service. Members may either retire with full benefits at any age upon completing 30 years of service or at age 60 after completing 10 years of service. Additionally, members may choose to retire with 20 years of service at any age with an actuarially reduced benefit. The State legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During DROP participation, accumulated benefits that would have been paid are separately tracked in the participant's DROP account. When participation ends, the participant must choose among available alternatives for distribution

Note 9 - PENSION PLAN (Continued)

of benefits accumulated in the DROP account. The election to participate in DROP is irrevocable once participation begins. Members with 10 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's compensation and the dependent's relationship to the deceased member. LASERS provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State legislature.

Contributions. The employer contribution rate for all employees is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Contribution requirements of active employees, 7.5% if hired before July, 1 2006 and 8% if hired after June 30, 2006, are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401). The District's contractually required composite contribution rate for the year ended June 30, 2018 was 37.90% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contributions to the pension plan from the District were \$390,327 for the year ended June 30, 2018.

Pension Liabilities. As of June 30, 2018, the District reported a liability of \$3,345,556 for its proportionate share of the 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 an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2017, the District's proportion was .04753% which was an increase of .00040% from its proportion measured as of June 30, 2016.

Pension Expense. For the year ended June 30, 2018, the District recognized a pension expense of \$370,686.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the next page:

Note 9 - PENSION PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 61,387
Net difference between projected and actual earnings on pension plan investments	108,791	-
Change in assumptions	13,217	
Changes in proportion and differences between District contributions and proportionate share of contributions	467,801	-
District contributions subsequent to the measurement date	<u>390,327</u>	<u>-</u>
Total	<u>\$ 980,136</u>	<u>\$ 61,387</u>

The District reported \$390,327 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 317,557
2020	234,683
2021	43,536
2022	<u>(67,354)</u>
Total	<u>\$ 528,422</u>

Note 9 - PENSION PLAN (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years.
Investment Rate of Returns	7.61% per annum.
Inflation Rate	2.75% per annum.
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected on a five year (2009 - 2013) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2009 - 2013 experience study of the System's members. The salary increase ranges from 3.8% to 12.8% for regular members.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees and they were deemed not to be substantively automatic.

Note 9 - PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	-0.24%
Domestic Equity	4.31%
International Equity	5.35%
Domestic Fixed Income	1.73%
International Fixed Income	2.49%
Alternative Investments	7.41%
Global Asset Allocation	2.84%
Total fund	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 contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The table on the next page presents the District's proportionate share of the collective net pension liability using the discount rate of 7.70%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.70%) or one percentage-point higher (8.70%) than the current rate:

Note 9 - PENSION PLAN (Continued)

	1.0% Decrease (6.70%)	Current Discount Rate (7.70%)	1.0% Increase (8.70%)
District's proportionate share of the collective net pension liability	\$ 4,199,966	\$ 3,345,556	\$ 2,619,105

Note 10 - RISK MANAGEMENT

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

Note 11 - CONTINGENCIES

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

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

Note 12 - COMPENSATION OF BOARD MEMBERS

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

Note 12 - COMPENSATION OF BOARD MEMBERS

The following amounts were paid to Board Members for the year ended June 30, 2018:

Board Member	Number of Days	Per Diem
Anthony Alford, President	22	\$ - *
Tenner Cenac	16	1,884
Carl Chauvin	26	3,062
Walton Daisy	27	3,179
Leward Henry	26	3,062
Troy Johnson	6	706
Jack Moore	23	- *
Lee Shaffer	18	2,119
Daniel Walker	26	3,062
		\$ 17,074

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

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 18, 2018 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Total OPEB Liability	
Service Cost	\$ 159,564
Interest	62,000
Changes of benefit terms	-
Difference between expected and actual experience	(40,177)
Changes in assumptions or other inputs	(68,929)
Benefit Payments	<u>(2,831)</u>
Net Change in Total OPEB Liability	109,627
Total OPEB Liability, beginning of year	<u>1,572,278</u>
Total OPEB Liability, end of year	<u>\$ 1,681,905</u>
Covered Employee Payroll	<u>\$ 1,058,595</u>
Total OPEB liability as a percentage of covered employee payroll	<u>158.88%</u>
Notes to Schedule:	
Changes of Benefit Terms:	None
Changes of assumptions and other inputs reflected the effects of changes in the discounts rate each period:	<u>3.87%</u>

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

Terrebonne Levee and Conservation District

June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.04753%	0.04713%	0.04304%
District's proportionate share of the net pension liability	<u>\$ 3,345,556</u>	<u>\$ 3,701,065</u>	<u>\$ 2,927,574</u>
District's covered-employee payroll	<u>\$ 1,077,258</u>	<u>\$ 1,010,673</u>	<u>\$ 943,939</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>310.562%</u>	<u>366.198%</u>	<u>310.144%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>62.50%</u>	<u>57.70%</u>	<u>62.70%</u>

SCHEDULE OF DISTRICT CONTRIBUTIONS

Terrebonne Levee and Conservation District

June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 390,327	\$ 385,658	\$ 375,970
Contributions in relation to the contractually required contribution	<u>(390,327)</u>	<u>(385,658)</u>	<u>(375,970)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 1,029,887</u>	<u>\$ 1,077,258</u>	<u>\$ 1,010,673</u>
Contributions as a percentage of covered-employee payroll	<u>37.90%</u>	<u>35.80%</u>	<u>37.20%</u>

SUPPLEMENTARY INFORMATION

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes-sales and use	\$ 3,746,500	\$ 9,556,083	\$ 10,678,300	\$ 1,122,217
Intergovernmental:				
Federal:				
CDBG	22,275,031	6,585,814	5,098,702	(1,487,112)
FEMA	-	7,560	181,016	173,456
State of Louisiana:				
State reimbursement grants	15,961,768	23,909,988	23,291,229	(618,759)
Terrebonne Parish Consolidated Government:				
Sales tax	1,583,088	3,632,856	6,080,972	2,448,116
Miscellaneous:				
Interest	5,000	6,010	116,966	110,956
Other	-	144,336	22,640	(121,696)
Total revenues	<u>43,571,387</u>	<u>43,842,647</u>	<u>45,469,825</u>	<u>1,627,178</u>
Expenditures				
Public safety:				
Supplies and materials	170,000	176,558	166,322	10,236
Other services and charges:				
Disaster recovery	-	50,014	5,764	44,250
Insurance	-	8,861	4,275	4,586
Occupancy	-	1,433	449	984
Professional services	60,000	84,624	73,012	11,612
Travel and Meals	-	589	589	-
Miscellaneous and other	136,875	171,103	240,295	(69,192)
Repairs and maintenance	1,680,000	333,963	272,235	61,728
Total public safety	<u>2,046,875</u>	<u>827,145</u>	<u>762,941</u>	<u>64,204</u>
Capital outlay:				
General operations	613,801	441,339	607,965	(166,626)
Hurricane and flood protection	69,166,504	43,082,658	49,306,908	(6,224,250)
Total capital outlay	<u>69,780,305</u>	<u>43,523,997</u>	<u>49,914,873</u>	<u>(6,390,876)</u>
Total expenditures	<u>71,827,180</u>	<u>44,351,142</u>	<u>50,677,814</u>	<u>(6,326,672)</u>

**Schedule 1
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Deficiency of Revenues Over Expenditures	(28,255,793)	(508,495)	(5,207,989)	(4,699,494)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	121,500	121,500
Transfers in	-	-	4,283,072	4,283,072
Total other financing sources	-	-	4,404,572	4,404,572
Deficiency of Revenues and Other Financing Sources over Expenditures	(28,255,793)	(508,495)	(803,417)	(294,922)
Fund Balances/Net Position				
Beginning of year	18,639,112	14,522,071	14,522,071	-
End of year	\$ (9,616,681)	\$ 14,013,576	\$ 13,718,654	\$ (294,922)

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Agency Head Name: Reggie Dupre

Purpose	<u>Amount</u>
Salary	\$ 143,546
Benefits - insurance	22,483
Benefits - retirement	54,404
Benefits - other	-
Car allowance	11,621
Vehicle provided by government	-
Per diem	-
Reimbursements	2,047
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-
	<hr/>
	<u>\$ 234,101</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Terrebonne Levee and Conservation District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2018.

Internal Control Over Financial Reporting

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

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

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

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. During our audit, we did identify deficiencies in internal control in the financial statements that we consider to be significant deficiencies that are not material weaknesses. 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance of other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of Findings and questioned costs as item 2018-001.

The District's Response to Management Letter Comments

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

Purpose of this Report

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana.
December 18, 2018.

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

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

Compliance

We have audited the compliance of Terrebonne Levee and Conservation District, (the District) a component unit of Terrebonne Parish Consolidated Government, State of Louisiana with the types of compliance requirements described in the *U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana.
December 18, 2018.

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

For the year ended June 30, 2018

<u>Federal Grantor/Pass - Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Sub-recipients</u>
U.S. Department of Housing and Urban Development				
<u>Pass-Through Program From Louisiana</u>				
<u>Division of Administration</u>				
<u>Pass Through Program From Terrebonne</u>				
<u>Parish Consolidated Government</u>				
CDBG Disaster Recovery Program Grant Award - Parish Implemented Recovery Program	14.228	CFMS #678958	\$ 5,098,701	\$ -
U.S. Department of Homeland Security				
<u>Pass-Through Program From Louisiana</u>				
<u>Office of Homeland Security and</u>				
<u>Emergency Preparedness:</u>				
<u>Disaster Grants-</u>				
Public Assistance 2016 High River Event	97.036	FEMA-3376-PA-LA	127,162	-
Public Assistance Hurricane Isaac	97.036	FEMA-4080-PA-LA	46,294	-
Public Assistance Hurricane Ike	97.036	FEMA-1792-DR-LA	7,560	-
Total Department of Homeland Security			181,016	-
Total Expenditures of Federal Awards			\$ 5,279,717	\$ -

See notes to Schedule of Expenditures of Federal Awards.

**NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3 - SUBRECIPIENTS

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

Note 4 - NON-CASH ASSISTANCE

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

Note 5 - FINDINGS OF NONCOMPLIANCE

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to consolidated financial statements noted? Yes No

b) Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance* Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Section I Summary of Auditor's Results (Continued)

c) Identification of Major Programs:

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

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? X Yes ___ No

Section II Financial Statement Findings

Internal Control

2018-001 Public Notices

Criteria - Effective internal controls provide reasonable assurance that Board minutes will be advertised in the official journal (The Courier) upon adoption by the Board at the following Board meeting.

Condition - The Board minutes for 16 out of 24 meetings for the year ended June 30, 2018 were not published in the official journal (The Courier).

Cause - An oversight by the administrative staff.

Effect - Board minutes were not available to the public.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

Section II Financial Statement Findings (Continued)

Internal Control (Continued)

2018-001 Public Notices (Continued)

Recommendation - We recommend that the District publish Board meeting minutes for all meetings that occurred during the year ended June 30, 2018, in the official journal (The Courier) and continue to publish minutes immediately after adoption by the Board.

Views of Responsible Officials - We agree with the finding and recommended procedures have been implemented.

Compliance

See 2018-001 above.

Section III Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2018.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

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

Internal Control

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

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

Compliance

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

Section II Internal Control and Compliance Material to Federal Awards

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

Section III Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Levee and Conservation District

For the year ended June 30, 2018

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

Internal Control

2018-001 Recommendation - We recommend that the District publish Board meeting minutes for all meetings that occurred during the year ended June 30, 2018, in the official journal (The Courier) and continue to publish minutes immediately after adoption by the Board.

Management's Response - Management will publish all Board meeting minutes that occurred during the year ended June 30, 2018, and continue to publish minutes immediately after adoption by the Board.

Compliance

See 2018-001 above.

Section II Internal Control and Compliance Material to Federal Awards

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2018.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule 4, which were agreed to by the Terrebonne Levee and Conservation District (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the AICPA and Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 4.

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

The purpose of this report is to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana.
December 18, 2018.

**Terrebonne Levee and Conservation District
Schedule of Procedures and Associated Findings of the
Statewide Agreed-upon Procedures
For the year ended June 30, 2018**

The required procedures and our findings are as follows:

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

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.
 - c) Disbursements, including processing, reviewing, and approving

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue.

Performance: Obtained and read the written policy for receipts, and found it to address all the functions listed above, except as noted below.

Exceptions: The policy did not contain a provision including management's actions to determine the completeness of each type of revenue. However, procedures are in place that require another employee to reconcile checks received with the deposit.

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

Management's response: Management will consider adding a provision including management's actions to determine the completeness of each type of revenue.

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

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Performance: Obtained and read the written policy for contracting, and found it to address all functions listed above, except as noted below.

Exceptions: Management's policy for contracting did not include provisions describing the types of services requiring written contracts, standard terms and conditions, legal review, or monitoring process.

Management's response: Management will consider adding all of the required provisions to the contracting policy.

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases)

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

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

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

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

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy.
Performance: Obtained and read the written policy for ethics, and found it to address all functions listed above.
Exceptions: No exceptions noted.
Management's response: Not applicable.

- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Performance: Inquired of management as to a debt service policy.
Exceptions: Management confirmed there was no policy for debt service.
Management's response: Management will consider drafting such a policy.

Procedures performed on the District's board:

- 2. Obtain and review the board minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:
 - a) Observe that the board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
Performance: Obtained and read the written minutes of the board meetings.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

 - b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
Performance: Inspected meeting minutes and inquired of management as to monthly-budget-to-actual comparisons for the General Fund presented to the Board.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

 - c) Obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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

Performance: Obtained the prior year's audit report and observed the unrestricted fund balance in the general fund. There was not a negative ending unrestricted fund balance in the prior year's audit report.

Exceptions: No exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's bank reconciliations:

3. Obtain a listing of the District's bank accounts from management and management's representation that the listing is complete. Management will identify the main operating account. Select the District's main operating account and select 4 additional accounts (or all accounts if less than 5). Select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter. Selected June from the fiscal period, and obtained the corresponding bank statement and reconciliation for the District's main operating account and 2 other additional accounts since these are the only 3 accounts.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected the bank reconciliations for evidence that they were prepared within 2 months of the related statement closing date.

Exceptions: There was no evidence that two of the three bank reconciliations were prepared within 2 months of the related statement closing date.

Management's response: Management will consider documenting by initial and date when bank reconciliations are prepared.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and

Performance: Inspected the bank reconciliations for evidence that a member of management or a board member reviewed each bank reconciliation.

Exceptions: There was no evidence that a member of management or a board member has reviewed each bank reconciliation.

Management's response: Management will consider documenting by initial and date when bank reconciliations are reviewed by a member of management or a board member.

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

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.
Performance: Inquire of management for documentation reflected that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.
Exceptions: We noted the operating account has nearly one hundred small right-of-way checks outstanding for longer than 12 months. There was no documentation noted that management has researching reconciling items that have been outstanding more than 12 months from the statement closing date.
Management's response: Management will consider documenting that they have researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Procedures performed on the District's collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select 5 deposit sites (or all deposit sites if less than 5).
Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter. The District has one deposit site.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Select one collection location for each deposit site (i.e. collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter. The District has one deposit site with one collection location.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. There is only one employee allowed to collect cash.
Exceptions: No exceptions noted.
Management's response: Not applicable.

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

- b) Each employee responsible for collection cash is not responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. The employee who is responsible for collecting cash also prepares bank deposits; however, another employee is responsible for reconciling the collection documentation to the deposit.

Exceptions: There are no exceptions noted.

Management's response: Not applicable.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. The employee who is responsible for posting the collection entries to the general ledger is not responsible for collecting cash.

Exceptions: No exceptions noted.

Management's response: Not applicable.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. The employee responsible for reconciling cash collections to the general ledger is not responsible for collecting cash.

Exceptions: No exceptions noted.

Management's response: Not applicable.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Performance: Obtained a listing of all employees who have access to cash and inquired of management if these employees are covered by a bond or insurance policy for theft.

Those employees who have access to cash are covered.

Exceptions: No exceptions noted.

Management's response: Not applicable.

7. Select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Procedures performed on the District's bank reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the 10 deposits and:

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

- a) Observe that receipts are sequentially pre-numbered.
Performance: Obtained supporting documentation for the 10 selected deposits and observed that receipts were sequentially pre-numbered.
Exceptions: No exceptions noted.
Management's response: Not applicable.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
Performance: Traced supporting documentation to the deposit slip.
Exceptions: No exceptions noted.
Management's response: Not applicable.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
Performance: Traced deposit slip total to actual deposit per bank statement.
Exceptions: No exceptions noted.
Management's response: Not applicable.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
Performance: Observed that the deposit was made within one business day of receipt.
Exceptions: No exceptions noted.
Management's response: Not applicable.
- e) Trace the actual deposit per the bank statement to the general ledger.
Performance: Traced the actual deposit per the bank statement to the general ledger.
Exceptions: No exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select 5 locations (or all locations if less than 5)
Performance: Obtained the listing of location that process payments, and received management's representation in a separate letter. The District only has one location that processes payments.
Exceptions: No exceptions noted.
Management's response: Not applicable.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) (Continued)

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the District has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- Performance: Obtained a listing of those employees involved with non-payroll purchasing and payments functions, and received management's representation in a separate letter.
 - Exceptions: No exceptions noted.
 - Management's response: Not applicable.
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. Two employees are involved in the requirements listed above.
 - Exceptions: No exceptions noted.
 - Management's response: Not applicable.
- b) At least two employees are involved in processing and approving payments to vendors.
- Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. Two employees are involved in the requirements listed above.
 - Exceptions: No exceptions noted.
 - Management's response: Not applicable.
- c) The employees responsible for processing payments are prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. The employees that are responsible for processing payments are prohibited from adding/modifying vendor files.
 - Exceptions: No exceptions noted.
 - Management's response: Not applicable.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.
 - Exceptions: The employee responsible for mailing checks is also responsible for processing payments.
 - Management's response: Management will consider having an employee who is not responsible for processing payments mail signed checks.

Procedures performed on the District's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) (Continued)

10. For each location selected under #8 above, obtain the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

Exceptions: No exceptions noted.

Management's response: Not applicable.

a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: Obtained the disbursement and observed that the disbursement and the related original invoice/billing statement were in agreement.

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained the disbursement documentation and observed for proper segregation of duties as listed under #9 above.

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

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

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

Exceptions: No exceptions noted.

Management's response: Not applicable.

12. Using the listing prepared by management, select 5 cards (or all cards if less than 5) that were used during the fiscal period, rotating cards each year. Select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Performance: Obtained the September statement for the Capital One Card and the November statement for the FuelTrac card along with supporting documentation and observed for proper approval.

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained the September statement for the Capital One Card and the November statement for the FuelTrac card and observed for finance charges and/or late fees.

Exceptions: No exceptions (finance charges and/or late fees) noted.

Management's response: Not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

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

- 1) An original itemized receipt that identifies precisely what was purchased.

Performance: Traced each transaction to an original itemized receipt.

Exceptions: There was one transaction that there was no itemized receipt noted.

Management's response: Management will consider maintaining all itemized receipts for credit card transactions.

- 2) Written documentation of the business/public purpose.

Performance: Observed supporting documentation for evidence of business/public purpose.

Exceptions: There were three instances where there was no evidence of a business/public purpose. Two instances were meal charges, and one instance was for supplies that did not provide the itemized receipt.

Management's response: Management will consider documenting a business/public purchase as evidence for all credit card transactions.

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

- 3) Documentation of the individuals participating in meals (for meal charges only).
Performance: For meal charges, observed supporting documentation for evidence of the individuals participating in meals.
Exceptions: There were two instances out of three meal charges that there was no documentation of the individuals participating in meals.
Management's response: Management will consider documenting the individuals participating in meals for all meal charges.

Procedures performed on the District's travel and travel-related expense reimbursements:

14. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Obtained a list of all travel and travel related expense reimbursement, and received management's representation in a separate letter.

Exceptions: No exceptions noted.

Management's response: Not applicable.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Performance: Selected 5 reimbursements and obtained the supporting documentation.

Observed that the reimbursement rate agreed to those rates established either by the State of Louisiana or the U.S. General Services Administration

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

Performance: Selected 5 reimbursement and obtained the supporting documentation. The reimbursements chosen were mileage checks.

Exceptions: Not applicable

Management's response: Not applicable.

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

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

Performance: Selected 5 reimbursement and obtained the supporting documentation.

Observed that each reimbursement has evidence of documentation of the business/public purpose and other documentation required by written policy.

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

Performance: Selected 5 reimbursement and obtained the supporting documentation.

Observed that each reimbursement was reviewed and approved by someone other than the person receiving the reimbursement.

Exceptions: No exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's contracts:

Prior year testing resulted in no exceptions related to the District's contracts. Therefore, testing was not required in the current year.

Procedures performed on the District's payroll and personnel:

15. Obtain a listing of employees (and elected officials, if applicable) during the fiscal period and management's representation that the listing is complete. Select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained the listing of employees with their related salaries from management, and received management's representation in a separate letter. Selected 5 employees and agreed paid salaries and to authorized salaries/pay rates per the personnel files

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

16. Select one pay period during the fiscal period. For the 5 employees/officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
Performance: Inspected daily attendance and leave records for proper documentation.
Exceptions: No exceptions noted.
Management's response: Not applicable.

 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
Performance: Inspected attendance and leave records for proper approval.
Exceptions: No exceptions noted.
Management's response: Not applicable.

 - c) Observe that any leave accrued or taken during the pay period is reflected in the District's cumulative leave records.
Performance: Obtained cumulative leave records and observed that any leave accrued or taken during selected pay period is included.
Exceptions: No exceptions noted.
Management's response: Not applicable.
17. Obtain from management a list of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials personnel files.
Performance: Obtained a listing of all employees that terminated during the period from management and received management's representation in a separate letter. Selected two employees/official's and obtained their personnel file. Traced hours and pay rates used in management's termination calculation to cumulative leave records and pay rates per the personnel file.
Exceptions: No exceptions noted.
Management's response: Not applicable.

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

18. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Performance: Obtained management's representation that payroll related taxes and benefits have been paid and forms filed by the required deadline in a separate letter.

Exceptions: No exceptions noted.

Management's response: Not applicable.

Procedure performed on the District's ethics:

19. Using the five selected employees/officials from procedure #16 under "Procedures performed on the District's payroll and personnel" above, obtain ethics compliance documentation from management and:

a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Performance: Inquire of management for the ethics course completion certificates for the five employees tested.

Exceptions: All five of the employees did not have documentation of completion of ethics training during the fiscal period.

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

b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

Performance: Inquire of management for documentation that the five employees selected attested through signature verification that he or she has read the ethics policy during the fiscal period.

Exceptions: There was no documentation that demonstrates each employee attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

Management's response: Management will ensure that all employees will sign that he or she has read the ethics policy during the fiscal period and maintain documentation of verification.

Procedures performed on the District's debt service

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

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

Performance: Obtained supporting documentation and observed for approval by the State Bond Commission.

Exceptions: No exceptions noted.

Management's response: Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

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

Exceptions: No exceptions noted.

Management's response: Not applicable.

Other procedures performed on the District:

23. Obtain a listing of misappropriations of public funds or assets during the fiscal period, and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the District reported the misappropriation(s) to the legislative auditor and the District attorney of the parish in which the District is domiciled.

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

Exceptions: Not applicable

Management's response: Not applicable.

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

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

Exceptions: No exceptions noted.

Management's response: Not applicable.