

LAFOURCHE BASIN LEVEE DISTRICT

A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017
ISSUED AUGUST 29, 2018

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 22, 2018

Independent Auditor's Report

LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Vacherie, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Lafourche Basin Levee District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

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

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

Opinion

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

Emphasis of Matter

As discussed in notes 1-P and 10 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – superseding portions of GASB Statement No. 45 and GASB Statement No. 57*, for the year ended December 31, 2017. The adoption of these standards required the District to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multiple-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the District's net position decreased by \$1,581,432. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 9, and the Schedule of the Employer's Proportionate Share of the Total Collective OPEB Liability on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Per Diem and Salary Paid to Board Commissioners on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Per Diem and Salary Paid to Board Commissioners is the responsibility of management and was 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, the Schedule of Per Diem and Salary Paid to Board Commissioners is 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 August 22, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the close of fiscal year 2017 by \$12,141,879, which represents a 10.2% decrease from last year.
- The District's revenues increased \$147,859 (3.7%) compared to the prior year, and the net result from activities increased by \$30,935.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The Statement of Net Position (page 10) presents information on all of the District's assets and liabilities. The difference between total assets and liabilities is net position and may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the District's assets changed during the most recent fiscal year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses a single fund to ensure and

demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's only fund, the General Fund.

The District uses only one fund type, the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the view of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

Notes to the Financial Statements

The notes (pages 12-25) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information and Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's Schedule of the Employer's Proportionate Share of the Total Collective OPEB Liability (Schedule 1, page 27) required by GASB. The Schedule of Per Diem and Salary Paid to Board Commissioners (Schedule 2, page 29) presents the compensation received by the Board commissioners in accordance with Louisiana Revised Statute 38:308.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES**Comparative Statement of Net Position
As of December 31, 2017 and December 31, 2016**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percent Change</u>
Assets				
Current and other assets	\$14,644,623	\$14,634,202	\$10,421	0.1%
Capital assets, net	<u>1,507,642</u>	<u>1,350,256</u>	<u>157,386</u>	11.7%
Total assets	<u>16,152,265</u>	<u>15,984,458</u>	<u>167,807</u>	1.0%
Deferred outflows of resources	<u>25,254</u>		<u>25,254</u>	100.0%
Liabilities				
Current liabilities	31,332	160,194	(128,862)	(80.4%)
Noncurrent liabilities	<u>3,759,403</u>	<u>2,306,866</u>	<u>1,452,537</u>	63.0%
Total liabilities	<u>3,790,735</u>	<u>2,467,060</u>	<u>1,323,675</u>	53.7%
Deferred inflows of resources	<u>244,905</u>		<u>244,905</u>	100.0%
Net Position:				
Investment in capital assets	1,507,642	1,350,256	157,386	11.7%
Unrestricted	<u>10,634,237</u>	<u>12,167,142</u>	<u>(1,532,905)</u>	(12.6%)
Total net position	<u>\$12,141,879</u>	<u>\$13,517,398</u>	<u>(\$1,375,519)</u>	(10.2%)

The District's assets increased by \$167,807 (1.0%), primarily from increases in the Capital Assets, net of depreciation. The District acquired several pieces of equipment for the maintenance of the levees during 2017. Total liabilities increased by \$1,323,675 (53.7%), primarily from the increase in OPEB payable due to the implementation of GASB 75.

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

	2017	2016	Change	Percent Change
Expenditures/expenses				
Personal services and related benefits	\$2,657,832	\$2,586,242	\$71,590	2.8%
Travel	7,640	9,431	(1,791)	(19.0%)
Operating services	599,465	595,640	3,825	0.6%
Supplies	236,964	202,050	34,914	17.3%
Professional services	65,775	63,550	2,225	3.5%
Depreciation	368,358	362,197	6,161	1.7%
Total expenditures/expenses	<u>3,936,034</u>	<u>3,819,110</u>	<u>116,924</u>	3.1%
Revenues:				
General revenues				
Taxes	3,812,993	3,635,239	177,754	4.9%
State revenue sharing	66,047	65,541	506	0.8%
Interest earnings	103,637	139,396	(35,759)	(25.7%)
Net increase (decrease) in the fair value of investments	7,135	(40,870)	48,005	(117.5%)
Licenses and permits	30,000	30,250	(250)	(0.8%)
Royalties and leases	14,726	14,517	209	1.4%
Sale of equipment		144,818	(144,818)	(100.0%)
Miscellaneous	107,409	5,197	102,212	1,966.8%
Total revenues	<u>4,141,947</u>	<u>3,994,088</u>	<u>147,859</u>	3.7%
Change in net position	205,913	174,978	30,935	17.7%
Net position, beginning	<u>13,517,398</u>	<u>13,342,420</u>	<u>174,978</u>	1.3%
Prior period adjustment	(1,581,432)			
Net position, ending	<u>\$12,141,879</u>	<u>\$13,517,398</u>	<u>(\$1,375,519)</u>	(10.2%)

Revenues increased by \$147,859 (3.7%) due to the increase in fair value of investments of \$48,005, the increase in taxes collected of \$177,754, and an increase in miscellaneous revenue of \$102,212 during 2017. The increase in miscellaneous revenue is a refund of expenses from Lafourche Parish under a cooperative endeavor agreement for work performed by the District. Expenses increased by \$116,924 (3.1%) primarily due to the increase in personnel expenses.

Capital Assets

The District's capital assets, net of accumulated depreciation at December 31, 2017, totaled \$1,507,642. This amount represents an increase (including additions and disposals, net of depreciation) of \$157,386, or 11.7%, over the previous year. More detailed information about the District's capital assets is presented in note 5 to the financial statements.

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

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percent Change</u>
Land	\$130,227	\$130,227	\$0	0.0%
Buildings and improvements	193,783	208,137	(14,354)	(6.9%)
Machinery and equipment	1,183,632	1,011,892	171,740	17.0%
Total	<u>\$1,507,642</u>	<u>\$1,350,256</u>	<u>\$157,386</u>	11.7%

The District had no long-term debt related to its capital assets.

Long-term Liabilities

Long-term liabilities at December 31, 2017, excluding OPEB, are shown in table below.

Long-term Liabilities at Year-end

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percent Change</u>
Compensated absences payable	<u>\$135,614</u>	<u>\$130,934</u>	<u>\$4,680</u>	3.6%
Total	<u>\$135,614</u>	<u>\$130,934</u>	<u>\$4,680</u>	3.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees:

- Ad valorem taxes
- Interest income
- Oil and gas royalties
- Projects under construction

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wayne Theall, external accountant, at 225-265-7547.

**LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

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

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Net Position</u>
ASSETS			
Cash (note 2)	\$2,714,643		\$2,714,643
Investments (note 3)	8,355,465		8,355,465
Account receivable (note 4)	3,453,507		3,453,507
Due from other governmental entities (note 6)	118,958		118,958
Capital assets, net of accumulated depreciation (note 5)		\$1,507,642 (1)	1,507,642
Note receivable	2,050		2,050
TOTAL ASSETS	<u>14,644,623</u>	<u>1,507,642</u>	<u>16,152,265</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits payable (note 10)		25,254 (2)	25,254
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>25,254</u>	<u>25,254</u>
LIABILITIES			
Accounts payable and accruals (note 7)	28,254		28,254
Accrued payroll liabilities (note 7)	3,078		3,078
Compensated absences payable (notes 8 and 9)		135,614 (3)	135,614
Other postemployment benefits payable (notes 9 and 10)		3,623,789 (3)	3,623,789
TOTAL LIABILITIES	<u>31,332</u>	<u>3,759,403</u>	<u>3,790,735</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits payable (note 10)		244,905 (2)	244,905
Unavailable revenues - ad valorem taxes	115,537	(115,537) (4)	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>115,537</u>	<u>129,368</u>	<u>244,905</u>
FUND BALANCE/NET POSITION			
Nonspendable: Note receivable	2,050	(2,050)	
Unassigned	14,495,704	(14,495,704)	
TOTAL FUND BALANCE	<u>14,497,754</u>		
TOTAL LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCE	<u>\$14,644,623</u>		
Investment in capital assets		1,507,642	1,507,642
Unrestricted		10,634,237	10,634,237
Total Net Position		<u>\$12,141,879</u>	<u>\$12,141,879</u>

***Explanations**

- (1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the General Fund.
- (2) Deferred outflows and inflows of resources relating to other postemployment benefits are not available to pay for current-period expenditures and, therefore, are not reported in the General Fund.
- (3) Long-term liabilities, such as compensated absences and other postemployment benefits liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.
- (4) Some revenues (ad valorem taxes) were collected more than 60 days after year end and, therefore, were not available to pay for current period expenditures in the General Fund.

The accompanying notes are an integral part of this statement.

**LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

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

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Personal services and related benefits	\$2,567,076	\$90,756 (1)	\$2,657,832
Travel	7,640		7,640
Operating services	599,465		599,465
Supplies	236,964		236,964
Professional services	65,775		65,775
Capital outlay	525,744	(525,744) (2)	
Depreciation		368,358 (2)	368,358
Total Expenditures/Expenses	<u>4,002,664</u>	<u>(\$66,630)</u>	<u>\$3,936,034</u>
GENERAL REVENUES			
Ad valorem taxes	3,697,456	115,537 (3)	3,812,993
State revenue sharing	66,047		66,047
Interest income	103,637		103,637
Net increase in the fair value of investments	7,135		7,135
Licenses and permits	30,000		30,000
Royalties and leases	14,726		14,726
Miscellaneous	107,409		107,409
Total General Revenues	<u>4,026,410</u>	<u>115,537</u>	<u>4,141,947</u>
EXCESS OF REVENUES OVER EXPENDITURES	23,746	(23,746)	NONE
CHANGE IN NET POSITION	NONE	\$205,913	205,913
FUND BALANCE/NET POSITION			
Beginning of the year (restated Net Position) (note 11)	<u>14,474,008</u>	<u>(2,538,042)</u>	<u>11,935,966</u>
End of the year	<u>\$14,497,754</u>	<u>(\$2,355,875)</u>	<u>\$12,141,879</u>

***Explanations**

- (1) Expenses of long-term obligations for compensated absences and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.
- (2) Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital outlays not meeting the capitalization threshold is reported as an expense (i.e., supplies).
- (3) Some revenues (ad valorem taxes) were collected more than 60 days after year end and, therefore, were not available to pay for current period expenditures in the General Fund.

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Lafourche Basin Levee District (District), a component unit of the State of Louisiana, was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute (R.S.) 38:291.F. The District is domiciled in Vacherie, Louisiana and was created for the primary purpose of maintaining and operating the levee systems of all or portions of the following parishes: Ascension, Assumption, St. Charles, St. James, and St. John the Baptist. The District ensures the integrity of the levee system throughout the year and during times of emergency, responds with trained personnel and the necessary equipment to provide protection of lives and property. The Board of Commissioners administers the operations and responsibilities of the District in accordance with the provisions of Louisiana statute. The 11 members of the Board of Commissioners, which governs the District, are appointed by the governor of the State of Louisiana.

The Board President receives compensation of \$1,000 per month, and other commissioners, as authorized by R.S. 38:308, receive a per diem to attend meetings or conduct Board-approved business not to exceed \$105 per day up to 36 days per year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements (individual major fund). The government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's General Fund is classified as governmental activities.

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

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

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

Capitalizing Assets

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

Indirect Expenses

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

D. FUND ACCOUNTING

The District uses its General Fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified under one category, governmental. Governmental funds account for all or most of the District's general activities, including the collection and disbursement of specific or legally-reserved monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include the General Fund, which accounts for all activities not required to be reported in another fund.

E. BASIS OF ACCOUNTING

The accompanying government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operating of governmental and business-type activities are included in the Statement of Net Position. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated, and long-term obligations are reported.

The fund statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements present increases and decreases in net current assets. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. Expenditures for capital assets are reported as current expenses and such assets are not depreciated.

F. BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to October 1 of each year for its General Fund. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by 5% or more and/or projected expenditures are expected to be more than budgeted amounts by 5% or more.

G. CASH AND INVESTMENTS

Cash includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Currently, the District has no investments with maturities less than 90 days.

In accordance with R.S. 33:2955, the District, as a political subdivision, is authorized to invest funds in direct U.S. Treasury obligations, bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies backed by the full faith and credit of the United States of America, direct security repurchase agreements, time certificates of deposits, mutual or equity trusts fund institutions, guaranteed investment contracts, investment grade commercial paper, and bonds, debentures, notes or other indebtedness issued by a state of the United States or any such state's political subdivision that meet stated conditions.

H. RECEIVABLES

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

I. CAPITAL ASSETS

Capital assets are carried at historical costs. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against operations in the Statements of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Position. Depreciation is computed using the straight-line method over the useful lives of the assets, generally 10 to 45 years for buildings and building improvements and 3 to 10 years for movable property. Expenditures for maintenance, repairs, and minor renewals are charged to earnings as incurred. Major expenditures for renewal and betterments are capitalized. The District's practice is to capitalize items with a unit cost of \$1,000 or greater.

J. COMPENSATED ABSENCES

Employees earn annual and sick leave at varying rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon determination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination.

The current portion of compensated absences payable (the amount estimated to be used during the period of availability) is recorded as a liability in the fund financial statements. The entire balance of compensated absences payable is recognized as a liability in the

government-wide financial statements. The noncurrent portion represents a reconciling item between the fund and government-wide statements.

K. ESTIMATES

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

L. LONG-TERM LIABILITIES

Long-term liabilities consist of employee compensated absences and postretirement health care benefits. The District recognizes other postemployment benefits liability in the government-wide financial statements based on actuarially determined obligations under GASB No. 75.

M. FUND BALANCE – GOVERNMENTAL FUNDS

In the fund financial statements, fund balance for the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Unassigned - all other spendable amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

<u>Category</u>	<u>Governmental Fund</u>
Nonspendable	\$2,050
Unassigned	<u>14,495,704</u>
Total fund balance	<u><u>\$14,497,754</u></u>

N. NET POSITION

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

- (a) *Investment in capital assets* consists of the District's total investment in capital assets, net of accumulated depreciation. The District does not have any outstanding debt obligations related to capital assets.

- (b) *Unrestricted net position* consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets. Unrestricted net position is used for transactions relating to the general operations of the District and may be used at its discretion to meet current expenses and for any purpose.

O. AD VALOREM TAXES

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

P. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended December 31, 2017, the following statement was implemented: GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 addresses accounting and financial reporting for other postemployment benefits (OPEB) for health care and life insurance that are provided to employees of state and local governmental employers. In addition, Statement No. 75 supersedes GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Most significantly, the District is required to recognize the remaining liability for its proportionate share of the OPEB liability of the State of Louisiana's retiree health plans presented in note 10.

2. CASH

At December 31, 2017, the District has cash (book balance) of \$2,714,643 in demand deposits.

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

At December 31, 2017, the District has \$2,857,647 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At December 31, 2017, the District has investments totaling \$8,355,465. A summary of the District's investments follows:

Type of Investment	Percentage of Investments	Credit Quality Rating	Fair Value December 31, 2017
U.S. Treasury Notes ¹	63.9%	Aaa	\$5,336,126
U.S. Treasury Bills	6.4%	Not Rated	538,759
General Obligation bonds:			
State of Louisiana ¹	1.4%	Aa3	114,817
JP Morgan U.S. Government Money Market Fund ¹	28.3%	Aaa-mf	2,365,763
Total	100%		\$8,355,465

¹Credit quality ratings obtained from Moody.

Type of Investment	December 31, 2017				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10+ Years
U.S. Treasury Notes	\$5,336,126	\$5,336,126			
U.S. Treasury Bills	538,759	538,759			
General Obligation bonds:					
State of Louisiana	114,817		\$114,817		
JP Morgan U.S. Government Money Market Fund*	2,365,763	2,365,763			
Total	\$8,355,465	\$8,240,648	\$114,817	NONE	NONE

*For money market funds the cost of investments approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the District investments per R.S. 33:2955. The District does not have policies to further limit credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, 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 states that the assets of the District shall be held in trust by the fiduciary (fiduciaries) designated by the District. For the U.S. Treasury obligations and U.S. Money Market funds, state law and District policy provides these are backed by the full faith and credit of the United States of America. Bonds issued by the State of Louisiana shall have a minimum investment grade rating of Baa3 or higher and have a final maturity of no more than three years.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The District does not have policies to further limit concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to political subdivisions does not address interest rate risk. In addition, the District does not have policies to limit interest rate risk.

INVESTMENTS – FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs – the valuation is based on quoted market prices for identical assets or liabilities traded in active markets;
- Level 2 inputs – the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability; and
- Level 3 inputs – the valuation is determined by using the best information available under the circumstances and might include the government's own data. In developing unobservable inputs, a government may begin with its own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

Fair values of assets measured on a recurring basis at December 31, 2017, are as follows:

Type of Investment	Fair Value December 31, 2017	Fair Value Hierarchy		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Notes	\$5,336,126		\$5,336,126	
U.S. Treasury Bills	538,759		538,759	
General Obligation bonds:				
State of Louisiana	114,817		114,817	
JP Morgan U.S. Governmental Money Market Fund	2,365,763		2,365,763	
Total Investments at Fair Value Level	\$8,355,465	NONE	\$8,355,465	NONE

Fair values for the District's investments categorized in Level 2 have been provided by the District's investment advisors or other sources and are based on other observable inputs. The District has no investments categorized in Level 1 or Level 3.

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017, are comprised of ad valorem taxes received in January and February 2018 in the amount of \$3,439,387 and interest on investments of \$14,120.

5. CAPITAL ASSETS

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

	Restated Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$130,227	NONE	NONE	\$130,227
Total capital assets not being depreciated	<u>130,227</u>	<u>NONE</u>	<u>NONE</u>	<u>130,227</u>
Capital assets being depreciated:				
Buildings and improvements	574,167	NONE	NONE	574,167
Machinery and equipment	2,789,793	525,744	NONE	3,315,537
Total capital assets being depreciated	<u>3,363,960</u>	<u>525,744</u>	<u>NONE</u>	<u>3,889,704</u>
Less accumulated depreciation:				
Buildings and improvements	(366,030)	(14,354)	NONE	(380,384)
Machinery and equipment	(1,777,901)	(354,004)	NONE	(2,131,905)
Total accumulated depreciation	<u>(2,143,931)</u>	<u>(368,358)</u>	<u>NONE</u>	<u>(2,512,289)</u>
Capital assets, net	<u>\$1,350,256</u>	<u>\$157,386</u>	<u>NONE</u>	<u>\$1,507,642</u>

6. DUE FROM OTHER GOVERNMENTAL ENTITIES

At December 31, 2017, the District was owed money from several governmental entities totaling \$118,958. The most significant amount was owed from the North Lafourche Levee District in the amount of \$81,895.

7. ACCOUNTS PAYABLE AND ACCRUALS

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

<u>Class of Payable</u>	<u>Governmental Fund</u>
Vendor	\$28,254
Salaries and related benefits	3,078
Total accounts payable and accruals	<u><u>\$31,332</u></u>

8. COMPENSATED ABSENCES

At December 31, 2017, employees of the District have accumulated and vested annual leave of \$135,614. The balance was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. LONG-TERM LIABILITIES

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

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Portion Due Within One Year
Compensated absences payable (note 8)	<u>\$130,934</u>	<u>\$103,865</u>	<u>(\$99,185)</u>	<u>\$135,614</u>	
Total*	<u><u>\$130,934</u></u>	<u><u>\$103,865</u></u>	<u><u>(\$99,185)</u></u>	<u><u>\$135,614</u></u>	<u>NONE</u>

*OPEB payable is in note 10.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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

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

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

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At December 31, 2017, the District reported a liability of \$3,623,789 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The District’s proportionate share of the restated total collective OPEB liability at December 31, 2016, totaling \$3,783,152, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses.

The District’s proportionate share percentage is based on the employer’s individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. At December 31, 2017,

the District's proportion was .0417%. Because the beginning balance was restated using a rollback of the July 1, 2017, valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

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

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.48
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the state's pension plan
- Discount rate – 3.13% based on June 30, 2017 Standard & Poor's 20-year municipal bond index rate
- Mortality rates – based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.
- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

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

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
	<u>(2.13%)</u>	<u>(3.13%)</u>	<u>(4.13%)</u>
Proportionate Share of Total Collective OPEB Liability	<u>\$4,255,057</u>	<u>\$3,623,789</u>	<u>\$3,125,786</u>

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

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

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
	<u>(6% decreasing to 3.5%)</u>	<u>(7% decreasing to 4.5%)</u>	<u>(8% decreasing to 5.5%)</u>
Proportionate Share of Total Collective OPEB Liability	<u>\$3,123,338</u>	<u>\$3,623,789</u>	<u>\$4,264,981</u>

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

For the year ended December 31, 2017, the District recognized OPEB expense of \$135,994. At December 31, 2017, 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>
Changes of assumptions or other inputs		(\$191,496)
Differences between benefit payments and proportionate share of benefit payments		(53,409)
Amounts paid by the employer for OPEB subsequent to the measurement date	<u>(\$25,254)</u>	
Total	<u>(\$25,254)</u>	<u>(\$244,905)</u>

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

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

<u>Year Ended</u>	<u>Net Amount Recognized in OPEB Expense</u>
2018	\$70,375
2019	70,375
2020	70,375
2021	33,780
	<u>\$244,905</u>

11. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following adjustment:

Net Position at December 31, 2016	\$13,517,398
OPEB GASB 75 adjustment	<u>(1,581,432)</u>
Net Position at December 31, 2016, as restated	<u>\$11,935,966</u>

The restatement decreased the District's beginning net position by \$1,581,432. The restatement was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Had the standard been implemented in fiscal year 2016 and included in the December 31, 2016, Statement of Activities, the previously reported change in net position of \$174,978 would have been (\$1,406,454).

12. RISK MANAGEMENT

The Lafourche Basin Levee District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

13. DEFERRED COMPENSATION PLAN

Effective July 17, 2000, the District established an Internal Revenue Code 457 (Section 457 Plan) with Travelers Insurance Company adopting Travelers Allocated Contracts which allows each participant to choose from four or more plans offered. The plan provides each participant their own account with the ability to administer their investment accounts. The District's contribution to the Section 457 Plan was \$260,057 for the year ended December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule 1 presents certain specific data regarding the employer's proportionate share of the total collective Other Postemployment Benefits liability.

**LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

**Schedule of the Employer's Proportionate Share
of the Total Collective OPEB Liability
For the Year Ended December 31, 2017**

	Fiscal Year*	
	2017	2016
Employer's proportion of the total collective OPEB liability	0.0417%	0.0417%
Employer's proportionate share of the total collective OPEB liability	\$3,623,789	\$3,783,152
Employer's covered-employee payroll	\$1,381,266	\$1,300,728
Employer's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll	262.35%	290.85%

*The amounts presented were determined as of the measurement date (July 1).

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

Notes to Required Supplementary Information (Schedule 1)

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

Changes in assumptions -

In the valuation for 2017, the discount rate increased from 2.71% to 3.13%.

Changes in population -

Changes in the Board's census data including an increase of the number of participating employees at July 1, 2017, from 36 employees to 38 employees.

SUPPLEMENTARY INFORMATION

Schedule of Per Diem and Salary Paid to Board Commissioners For the Year Ending December 31, 2017

The Schedule of Per Diem and Salary Paid to Board Commissioners (Schedule 2, page 29) is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The Board President receives compensation of \$1,000 per month, and other commissioners, as authorized by R.S. 38:308 receive a per diem to attend meetings or conduct board-approved business not to exceed \$105 per day up to 36 days per year.

**LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

**Schedule of Per Diem and Salary Paid to
Board Commissioners
For the Year Ended December 31, 2017**

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Craig Carter	Commissioner	\$3,570
Stanley Folse	Commissioner	3,675
Kevin Hebert	Commissioner	3,045
Jeffery Henry	Commissioner	3,255
James Jasmin	Commissioner	3,780
Whitney Jasmin, Jr.	Commissioner	3,465
Russell Loupe	Commissioner	3,675
Eric Matherne	Commissioner	3,465
Mike McKinney, Sr.	President	12,000
Marlin Rogers	Vice-President	3,465
Gary Watson	Commissioner	<u>2,730</u>
Total		<u><u>\$46,125</u></u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 22, 2018

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

LAFOURCHE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Vacherie, 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 General Fund of Lafourche Basin Levee District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 22, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

EE:AD:RR:EFS:aa

LBLD2017