SEWERAGE AND WATER BOARD OF NEW ORLEANS

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2016

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

SEWERAGE AND WATER BOARD OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Sewerage and Water Board of New Orleans

Report on the Financial Statements

We have audited the accompanying financial statements of the Sewerage and Water Board of New Orleans (the Board) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Board'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Postlethwaite & Netterville

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of the Board, as of December 31, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 and the schedules presented on pages 66 through 68 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. Schedules 1 through 7 and Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 through 7 are the responsibility of management and were derived from and relate 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 schedules 1 through 7 are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Supplementary Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Postlethwaite & Netterville

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Board'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

This section of Sewerage & Water Board of New Orleans' (the Board) annual financial report presents a discussion and analysis of the Board's financial performance during the fiscal years that ended December 31, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal. The Board's financial statements follow this section.

FINANCIAL HIGHLIGHTS

The Board adopted a financial plan for 2011 through 2020 that resulted in improved debt service coverage, increased liquidity, increased funding for operations and maintenance, and full funding for the capital improvement programs. This financial plan was updated in late 2016 to cover 2017 through 2020.

Recovery from Hurricane Katrina and the resulting flooding continued to be a significant event during 2016. Repairs and replacements to the water, sewerage, and drainage systems, and rehabilitation and replacement of buildings will continue through 2025.

Enterprise Fund

The major highlights in the Board's enterprise fund were as follows:

2016

- The Board's additions to its major systems approximated $266.1 million.
- The Southeast Louisiana (SELA) drainage system project, a major upgrade by the Corps of Engineers, resulted in additions of approximately $122.3 million to work in progress during the year.
- Federal Emergency Management Agency (FEMA) Disaster Public Assistance grants revenues totaled approximately $21.9 million in Disaster Assistance grants and $18.6 million in Hazard Mitigation grants for capital contributions.
- Revenues from Water and Sewer services increased by approximately $14.3 million to a total of approximately $188.6 million for the year ended December 31, 2016.

2015

- The Board's additions to its major systems approximated $258.2 million.
- The Southeast Louisiana (SELA) project, which is a major upgrade to the drainage system by the Corps of Engineers, resulted in additions of approximately $131.8 million to work in progress during the year.
- Federal Emergency Management Agency (FEMA) Disaster Public Assistance grants revenues totaled approximately $24.8 million in Disaster Assistance grants and $14.3 million in Hazard Mitigation grants for capital contributions.

Pension Trust Fund

The major highlights in the Board's fiduciary fund were as follows:

2016

The net appreciation of the fair value of investments was $11.8 million in 2016 compared to a net depreciation of $5.0 million in 2015. The net position restricted for pension benefits increased $1.9 million during 2016 to $224.4 million at December 31, 2016.

2015

The net depreciation of the fair value of investments was $5.0 million in 2015 compared to a net appreciation of $10.8 million in 2014. The net position restricted for pension benefits decreased $14.1 million during 2015 to $222.4 million at December 31, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: management's discussion and analysis (this section), the financial statements, the notes to the financial statements, required supplementary information, and other supplementary information.

Government-wide Financial Statements – Enterprise Fund

The Board's principal activities of providing water, sewerage, and drainage services are accounted for in a single proprietary fund – the enterprise fund. Enterprise funds are used to report business activities. Since the enterprise fund is the Board's single activity, its financial statements are presented as the Board's government-wide financial statements.

The financial statements provide both long-term and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of property, plant, and equipment is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Board are included in the Statements of Net Position.

The Statement of Net Position presents financial information on all of the Board's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

Fund Financial Statements – Pension Trust Fund

The Board's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Board. The pension trust fund is not reflected in the government-wide financials because the resources are not available to the Board for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund.

FINANCIAL ANALYSIS OF THE BOARD

ENTERPRISE FUND

2016 Net Position

The Board's total assets and deferred outflows at December 31, 2016 were approximately $3.2 billion, a 6.1% increase from December 31, 2015 (see Table A-1).

Table A-1
Sewerage & Water Board of New Orleans
Net Position

	2016	2015	Increase (Decrease)	Increase (Decrease)
Current unrestricted assets	$ 219,980,110	$ 187,055,968	$ 32,924,142	17.6%
Restricted assets	219,761,583	283,787,405	(64,025,822)	-22.6%
Property, plant, and equipment - net	2,744,691,660	2,526,881,205	217,810,455	8.6%
Other assets	11,824,788	11,230,019	594,769	5.3%
Total assets	3,196,258,141	3,008,954,597	187,303,544	6.2%
Deferred outflows of resources	20,506,855	23,034,899	(2,528,044)	-11.0%
Total deferred outflows of resources	20,506,855	23,034,899	(2,528,044)	-11.0%
Total assets and deferred outflows	$ 3,216,764,996	$ 3,031,989,496	$ 184,775,500	6.1%
Current liabilities	$ 119,385,673	$ 112,494,485	$ 6,891,188	6.1%
Long-term liabilities	866,560,942	833,881,798	32,679,144	3.9%
Total liabilities	985,946,615	946,376,283	39,570,332	4.2%
Deferred inflows of resources	2,396,433	2,924,898	(528,465)	-18.1%
Total deferred inflows of resources	2,396,433	2,924,898	(528,465)	-18.1%
Net position:				
Net investment in capital assets	2,415,192,603	2,009,322,572	405,870,031	20.2%
Restricted	217,654,082	281,919,904	(64,265,822)	-22.8%
Unrestricted	(404,424,737)	(208,554,161)	(195,870,576)	93.9%
Total net position	2,228,421,948	2,082,688,315	145,733,633	7.0%
Total liabilities, deferred inflows, and net position	$ 3,216,764,996	$ 3,031,989,496	$ 184,775,500	6.1%

The net increase in total assets of $187.3 million resulted primarily due to an increase in property, plant, and equipment of $217.8 million and an increase in current unrestricted assets of $32.9 million. The increase in current unrestricted assets is due primarily to the increase in cash and cash equivalents of $18.9 million as a result of an increase in revenue and cash receipts from customer accounts. Restricted assets decreased $64.0 million in 2016 mainly due to a decrease in restricted investments of approximately $65.5 million used for capital expenditures. Long-term liabilities increased by $32.7 million primarily due to an increase in the Southeast Louisiana Project liability of $48.2 million. Deferred outflows of resources and deferred inflows of resources decreased by $2.5 million and $528,000, respectively, due to changes in actuary's assumption on investment returns and demographic factors related to the pension plan.

2015 Net Position

The Board's total assets at December 31, 2015 were approximately $3.0 billion, a 15.7% increase from December 31, 2014 (see Table A-2).

Table A-2
Sewerage & Water Board of New Orleans
Net Position

	2015	2014	Increase (Decrease)	Increase (Decrease)
Current unrestricted assets	$ 187,055,968	$ 142,627,550	$ 44,428,418	31.1%
Restricted assets	283,787,405	126,226,933	157,560,472	124.8%
Property, plant, and equipment - net	2,526,881,205	2,319,999,281	206,881,924	8.9%
Other assets	11,230,019	10,753,170	476,849	4.4%
Total assets	3,008,954,597	2,599,606,934	409,347,663	15.7%
Deferred outflows of resources	23,034,899	8,101,400	14,933,499	184.3%
Total deferred outflows of resources	23,034,899	8,101,400	14,933,499	184.3%
Total assets and deferred outflows	$ 3,031,989,496	$ 2,607,708,334	$ 424,281,162	16.3%
Current liabilities	$ 112,494,485	$ 120,746,138	$ (8,251,653)	-6.8%
Long-term liabilities	833,881,798	556,181,825	277,699,973	49.9%
Total liabilities	946,376,283	676,927,963	269,448,320	39.8%
Deferred inflows of resources	2,924,898	1,475,322	1,449,576	98.3%
Total deferred inflows of resources	2,924,898	1,475,322	1,449,576	98.3%
Net position:				
Net investment in capital assets	2,009,322,572	2,013,060,377	(3,737,805)	-0.2%
Restricted	281,919,904	99,356,835	182,563,069	183.7%
Unrestricted	(208,554,161)	(183,112,163)	(25,441,998)	13.9%
Total net position	2,082,688,315	1,929,305,049	153,383,266	8.0%
Total liabilities, deferred inflows, and net position	$ 3,031,989,496	$ 2,607,708,334	$ 424,281,162	16.3%

The net increase in total assets of $409.3 million resulted primarily due to an increase in property, plant, and equipment of $206.9 million, an increase of $157.6 million in restricted assets, and an increase in current unrestricted assets of $44.4 million. The increase in restricted assets was primarily due to unspent 2015 bond proceeds that are restricted for debt service and capital projects. The increase in current unrestricted assets is due primarily to the increase in cash and cash equivalents designated for capital projects of $46.7 million as a result of reimbursements from the governments in addition to an increase in revenue and cash receipts from customer accounts. Long-term liabilities increased by $277.7 million primarily due to an increase in long-term portion of bonds payable of $209.0 million as a result of the issuance of the Series 2015 Water Revenue Bonds and Series 2015 Sewerage Revenue Bonds, in addition to an increase of $49.0 million in the Southeast Louisiana Project liability. Furthermore, the net pension liability increased by $17.3 million in 2015 to a total of $77.0 million compared to a total of $59.7 million in 2014. Deferred outflows of resources and deferred inflows of resources increased by $14.9 million and $1.4 million, respectively, due to changes in actuary's assumption on investment returns and demographic factors related to the pension plan.

2016 Changes in Net Position

The change in net position for the year ended December 31, 2016 was an increase of approximately $145.7 million, as opposed to approximately $153.4 million for the year ended December 31, 2015. The Board's total operating revenues, excluding other revenue, increased by 8.2% to approximately $188.6 million due primarily to rate increases effective January 1, 2016, and other revenue decreased by $4.2 million due to a decrease in legal settlement in 2016. Total non-operating revenue increased by 19.2% to approximately $61.3 million due to a combination of increases in property taxes. Capital contributions from federal grants and construction of Board property was approximately $119.6 million resulting primarily from capital additions reimbursable under the FEMA Disaster Public Assistance and FEMA Hazard Mitigation grants of approximately $21.9 million and $18.6 million, respectively, and approximately $79.5 million of capital contributions by the Army Corps of Engineers. The changes in net position are detailed in Table A-3; operating expenses are detailed in Table A-4.

Table A-3
Sewerage & Water Board of New Orleans
Revenues , Expenses and Change in Net Position

	2016	2015	Increase (Decrease)	Increase (Decrease)
Operating revenues:				
Sales of water and delinquent fees	$ 83,158,940	$ 78,007,937	$ 5,151,003	6.6%
Sewerage service charges	104,795,184	95,636,966	9,158,218	9.6%
Plumbing inspection and license fees	638,502	610,768	27,734	4.5%
Other revenue	4,078,380	8,290,157	(4,211,777)	-50.8%
Total operating revenues	192,671,006	182,545,828	10,125,178	5.5%
Operating expenses (Table A-4)	227,798,026	212,448,361	15,349,665	7.2%
Operating loss	(35,127,020)	(29,902,533)	(5,224,487)	-17.5%
Non-operating revenues:				
Property taxes	56,029,548	49,855,922	6,173,626	12.4%
Other taxes	564,050	581,395	(17,345)	-3.0%
Operating and maintenance grants	24,738	2,405	22,333	928.6%
Bond issuance costs	-	(1,510,657)	1,510,657	-100.0%
Investment income	4,634,999	2,457,528	2,177,471	88.6%
Total non-operating revenues	61,253,335	51,386,593	9,866,742	19.2%
Income before capital contributions	26,126,315	21,484,060	4,642,255	21.6%
Capital contributions	119,607,318	131,899,206	(12,291,888)	-9.3%
Change in net position	145,733,633	153,383,266	(7,649,633)	-5.0%
Net position, beginning of year	2,082,688,315	1,929,305,049	153,383,266	8.0%
Net position, end of year	$ 2,228,421,948	$ 2,082,688,315	$ 145,733,633	7.0%

Table A-4
Sewerage & Water Board
Operating Expenses

	2016	2015	Increase (Decrease)	Increase (Decrease)
Power and pumping	$ 13,499,216	$ 13,139,255	$ 359,961	2.7%
Treatment	20,300,344	18,740,637	1,559,707	8.3%
Transmission and distribution	37,174,706	35,878,137	1,296,569	3.6%
Customer accounts	4,151,027	3,807,405	343,622	9.0%
Customer service	4,271,555	3,973,344	298,211	7.5%
Administration and general	18,506,107	16,848,253	1,657,854	9.8%
Payroll related	43,990,879	36,349,834	7,641,045	21.0%
Maintenance of general plant	23,979,309	27,148,505	(3,169,196)	-11.7%
Depreciation	52,060,674	51,661,651	399,023	0.8%
Provision for doubtful accounts	3,413,404	2,466,131	947,273	38.4%
Provision for claims	6,450,805	2,435,209	4,015,596	164.9%
Total operating expenses	$ 227,798,026	$ 212,448,361	$ 15,349,665	7.2%

Total operating expenses increased by approximately $15.3 million or 7.2% compared to 2015. Increase in provision for claims was mainly attributable to a $4.2 million increase in general liabilities claims from 2015. In addition, payroll related costs increased by approximately $7.6 million as a result of a $5.4 million non-cash expense related to pension benefits and $2.2 million increase in personnel costs. Maintenance of general plant decreased $3.2 million as a result of a $1.5 million decrease in expenditures on the central yard administrative building and a $1.5 million decrease in expenditures on overall maintenance.

2015 Changes in Net Position

The change in net position for the year ended December 31, 2015 was an increase of approximately $153.4 million, as opposed to approximately $151.9 million for the year ended December 31, 2014. The Board's total operating revenues increased by 11.9% to approximately $182.5 million due primarily for rate increases effective January 1, 2015, and total non-operating revenue increased by 11.1% to approximately $51.4 million due to a combination of increases in property taxes and investment income. Capital contributions from federal grants and construction of Board property was approximately $130.5 million resulting primarily from capital additions reimbursable under the FEMA Disaster Public Assistance and FEMA Hazard Mitigation grants of approximately $24.8 million and $14.3 million, respectively, and approximately $85.7 million of capital contributions by the Army Corps of Engineers. The changes in net position are detailed in Table A-5; operating expenses are detailed in Table A-6.

Table A-5
Sewerage & Water Board of New Orleans
Revenues , Expenses and Change in Net Position

	2015	2014	Increase (Decrease)	Increase (Decrease)
Operating revenues:				
Sales of water and delinquent fees	$ 78,007,937	$ 70,818,255	$ 7,189,682	10.2%
Sewerage service charges	95,636,966	86,553,262	9,083,704	10.5%
Plumbing inspection and license fees	610,768	678,352	(67,584)	-10.0%
Other revenue	8,290,157	5,024,480	3,265,677	65.0%
Total operating revenues	182,545,828	163,074,349	19,471,479	11.9%
Operating expenses (Table A-4)	212,448,361	199,360,096	13,088,265	6.6%
Operating loss	(29,902,533)	(36,285,747)	6,383,214	17.6%
Non-operating revenues:				
Property taxes	49,855,922	47,534,646	2,321,276	4.9%
Other taxes	581,395	572,083	9,312	1.6%
Operating and maintenance grants	2,405	1,502	903	60.1%
Bond issuance costs	(1,510,657)	(2,649,339)	1,138,682	-43.0%
Investment income	2,457,528	811,263	1,646,265	202.9%
Total non-operating revenues	51,386,593	46,270,155	5,116,438	11.1%
Income before capital contributions	21,484,060	9,984,408	11,499,652	115.2%
Capital contributions	131,899,206	141,873,884	(9,974,678)	-7.0%
Change in net position	153,383,266	151,858,292	1,524,974	1.0%
Net position, beginning of year	1,929,305,049	1,777,446,757	151,858,292	8.5%
Net position, end of year	$ 2,082,688,315	$ 1,929,305,049	$ 153,383,266	8.0%

Table A-6
Sewerage & Water Board
Operating Expenses

	2015	2014	Increase (Decrease)	Increase (Decrease)
Power and pumping	$ 13,139,255	$ 13,227,389	$ (88,134)	-0.7%
Treatment	18,740,637	19,527,000	(786,363)	-4.0%
Transmission and distribution	35,878,137	27,186,606	8,691,531	32.0%
Customer accounts	3,807,405	3,514,360	293,045	8.3%
Customer service	3,973,344	3,717,925	255,419	6.9%
Administration and general	16,848,253	16,976,430	(128,177)	-0.8%
Payroll related	36,349,834	32,488,264	3,861,570	11.9%
Maintenance of general plant	27,148,505	28,178,593	(1,030,088)	-3.7%
Depreciation	51,661,651	50,157,869	1,503,782	3.0%
Provision for doubtful accounts	2,466,131	1,940,782	525,349	27.1%
Provision for claims	2,435,209	2,444,878	(9,669)	-0.4%
Total operating expenses	$ 212,448,361	$ 199,360,096	$ 13,088,265	6.6%

Total operating expenses increased by approximately $13.1 million or 6.6% compared to 2014. Increase in transmission and distributions costs were mainly attributable to an increase of $4.0 million in water point repairs and $4.2 million in sewer point repairs in 2015 compared to 2014.. In addition, payroll related costs increased by approximately $3.9 million as a result of a $3.4 million non-cash expense related to pension benefits.

PENSION TRUST FUND

2016 Plan Net Position

The Board's total plan assets and net position of its pension trust fund at December 31, 2016 was approximately $224.4 million, a 0.9% increase from December 31, 2015 (see table A-7).

Plan net position increased by approximately $1.9 million in 2016 primarily due to appreciation in fair market value of investment by approximately $12.6 million and contributions of $10.1 million offset by benefit payments and other deductions totaling $20.7 million in 2016.

Table A-7
Sewerage & Water Board of New Orleans
Pension Trust Fund Net Position

	2016	2015	Increase (Decrease)	Increase (Decrease)
Cash	$ 40,495	$ 317,096	$ (276,601)	-87.2%
Investments	224,250,456	221,077,262	3,173,194	1.4%
Receivables	111,733	105,336	6,397	6.1%
Other assets	-	927,833	(927,833)	-100.0%
Total assets	224,402,684	222,427,527	1,975,157	0.9%
Other liabilities	$ 46,423	$ -	$ 46,423	0.0%
Total liabilities	46,423	-	46,423	0.0%
Plan net position	$ 224,356,261	$ 222,427,527	$ 1,928,734	0.9%

2015 Plan Net Position

The Board's total plan assets and net position of its pension trust fund at December 31, 2015 was approximately $222.4 million, a 6.0% decrease from December 31, 2014 (see table A-8).

Plan net position decreased by approximately $14.1 million in 2015 primarily due to depreciation in fair market value of investments, by approximately $4.1 million and contributions of $10.3 million offset by benefit payments and other deductions totaling $20.2 million in 2015.

Table A-8
Sewerage & Water Board of New Orleans
Plan Net Position

	2015	2014	Increase (Decrease)	Increase (Decrease)
Cash	$ 317,096	$ 1,950,862	$ (1,633,766)	-83.7%
Investments	221,077,262	233,026,769	(11,949,507)	-5.1%
Receivables	105,336	146,366	(41,030)	-28.0%
Other assets	927,833	1,432,674	(504,841)	-35.2%
Total assets	222,427,527	236,556,671	(14,129,144)	-6.0%
Plan net position	$ 222,427,527	$ 236,556,671	$ (14,129,144)	-6.0%

2016 Changes in Plan Net Position

Change in net position increased by $16.1 million mainly attributable to a $12.6 million net investment income compared to a net investment loss of $4.1 million in 2015. The increase in net investment income is due to overall market conditions and earnings from investments.

Table A-9
Sewerage & Water Board of New Orleans
Change in Plan Net Position

	2016	2015	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 10,101,344	$ 10,259,600	$ (158,256)	-1.5%
Net (loss) income on investments	12,569,604	(4,144,141)	16,713,745	-403.3%
Total additions	22,670,948	6,115,459	16,555,489	270.7%
Deductions:				
Benefits	(15,757,292)	(15,281,673)	(475,619)	3.1%
Employee refunds	(421,087)	(351,266)	(69,821)	19.9%
Employee DROP contributions	(4,563,835)	(4,611,664)	47,829	-1.0%
Total deductions	(20,742,214)	(20,244,603)	(497,611)	2.5%
Change in net position	1,928,734	(14,129,144)	16,057,878	-113.7%
Plan net position, beginning of year	222,427,527	236,556,671	(14,129,144)	-6.0%
Plan net position, end of year	$ 224,356,261	$ 222,427,527	$ 1,928,734	0.9%

2015 Changes in Plan Net Position

Net income (loss) on investments decreased by $15.5 million or 136.5% during 2015 compared to 2014 due to market conditions, changes in investment mix, and deductions exceeding the additions in 2015. The decrease in plan net position of $14.1 million resulted primarily from the decrease noted above in unrealized loss on investments of $16.9 million and realized gain on sales of investments of $11.9 million in 2015.

Table A-10
Sewerage & Water Board of New Orleans
Change in Plan Net Position

	2015	2014	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 10,259,600	$ 9,592,835	$ 666,765	7.0%
Net (loss) income on investments	(4,144,141)	11,354,226	(15,498,367)	-136.5%
Total additions	6,115,459	20,947,061	(14,831,602)	-70.8%
Deductions:				
Benefits	(15,281,673)	(13,973,343)	(1,308,330)	9.4%
Employee refunds	(351,266)	(140,938)	(210,328)	149.2%
Employee DROP contributions	(4,611,664)	(4,634,674)	23,010	-0.5%
Total deductions	(20,244,603)	(18,748,955)	(1,495,648)	8.0%
Change in net position	(14,129,144)	2,198,106	(16,327,250)	-742.8%
Plan net position, beginning of year	236,556,671	234,358,565	2,198,106	0.9%
Plan net position, end of year	$ 222,427,527	$ 236,556,671	$ (14,129,144)	-6.0%

CAPITAL ASSET AND DEBT ADMINISTRATION

2016 Capital Assets

As of December 31, 2016, the Board had invested approximately $3.67 billion in capital assets. Net of accumulated depreciation, the Board's net capital assets at December 31, 2016 totaled approximately $2.74 billion. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $214.6 million, or 8.5%, over December 31, 2015.

At December 31, 2016, the Board's budget for its 10 year capital improvements program totaled approximately $2.68 billion including approximately $1 billion for water, $684.3 million for sewerage and $935.7 million for drainage. Due to certain regulatory and legislative changes, additional capital improvements will probably be required. Future capital improvement program expenditures may require the issuance of additional debt depending on the amount and timing of expenditures. As of December 31, 2016, the Board has committed or appropriated $49.5 million in investments for use in future capital projects and has approximately $186.3 million remaining in restricted cash, cash equivalents, and investments for construction.

The capital improvements budget for 2017 is $369.2 million, including $111.3 million for projects which are expected to be funded by federal grants and programs. Significant projects included in property, plant and equipment in progress as of December 31, 2016 include the following:

Hurricane Katrina-related Repairs and Replacements
Southeast Louisiana Flood Control Program
Sewer System Sanitation Evaluation and Rehabilitation Program
Eastbank Sewer Treatment Plant
Westbank Sewer Treatment Plant
Wetlands Assimilation Project
Hazard Mitigation Grant Program

See Note 4 for detailed capital asset activity during 2016.

2015 Capital Assets

As of December 31, 2015, the Board had invested approximately $3.40 billion in capital assets. Net of accumulated depreciation, the Board's net capital assets at December 31, 2015 totaled approximately $2.53 billion. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $206.9 million, or 8.9%, over December 31, 2014.

At December 31, 2015, the Board's budget for its 10 year capital improvements program totaled approximately $2.57 billion including approximately $1 billion for water, $673.8 million for sewerage and $919.1 million for drainage. Due to certain regulatory and legislative changes, additional capital improvements will probably be required. Future capital improvement program expenditures may require the issuance of additional debt depending on the amount and timing of expenditures. As of December 31, 2015, the Board has committed or appropriated $68.9 million in investments for use in future capital projects and has approximately $235.7 million remaining in restricted cash, cash equivalents, and investments for construction.

The capital improvements budget for 2016 is $379.1 million, including $185.7 million for projects which are expected to be funded by federal grants and programs. Significant projects included in property, plant and equipment in progress as of December 31, 2015 include the following:

Hurricane Katrina-related Repairs and Replacements
Southeast Louisiana Flood Control Program
Sewer System Sanitation Evaluation and Rehabilitation Program
Eastbank Sewer Treatment Plant
Westbank Sewer Treatment Plant
Wetlands Assimilation Project
Hazard Mitigation Grant Program

See Note 4 for detailed capital asset activity during 2015.

2016 Debt Administration

The Board continues to make its regularly scheduled payments on its bonds. During 2016, $14.8 million in principal payments were made.

The Louisiana Department of Environmental Quality has committed to loan the Board up to $9 million to fund construction of sewerage treatment works, implementing a management program under Section 1329 of the Water Quality Act of 1987, and developing and implementing a conservation and management plan under Section 1330 of the Federal Act. The outstanding balance is $7.3 million at December 31, 2016.

See Note 6 for detailed long term debt activity during 2016.

2015 Debt Administration

During 2015, the Board issued $100,000,000 in Series 2015 Sewerage Service Revenue Bonds with an original issue premium of $12,826,410 and a final maturity of December 1, 2045. The Board also issued $100,000,000 in Series 2015 Water Service Revenue Bonds with an original issue premium of $12,686,122 and a final maturity of December 1, 2045. Bond proceeds of $104,193,000 and $103,936,000 were restricted for capital projects for Sewerage and Water, respectively.

The Board continues to make its regularly scheduled payments on its bonds. During 2015, $12.9 million in principal payments were made.

The Louisiana Department of Environmental Quality has committed to loan the Board up to $9 million to fund construction of sewerage treatment works, implementing a management program under Section 1329 of the Water Quality Act of 1987, and developing and implementing a conservation and management plan under Section 1330 of the Federal Act. The outstanding balance is $7.6 million at December 31, 2015.

See Note 6 for detailed long term debt activity during 2015.

ECONOMIC FACTORS AND RATES

The Board, the City Council, and the Board of Liquidation City Debt approved a rate increase of ten percent for the Water and Sewer Departments effective January 1, 2013 and annually thereafter through 2020. The Board also authorized a study to identify the long-term revenue requirement for the drainage system and implementation methodologies for potential new revenue streams.

To meet the bond covenant for the 2014 Water and Sewer Revenue and Refunding Bonds and 2015 Water and Sewer Revenue Bonds, the cash in days is required to maintain 90 days of cash monthly. The Board has exceeded the goals by 189 days and 389 days in the Water and Sewer system, respectively.

The total number of open accounts continues to increase modestly on an annual basis. The total open accounts in 2016 were 135,027, an increase of 1,123 over 2015 open accounts of 133,904.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sewerage & Water Board of New Orleans at (504) 585-2356.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTLFOWS OF RESOURCES		
Current assets:		
Unrestricted and undesignated		
Cash and cash equivalents	$ 43,595,508	$ 24,689,703
Accounts receivable:		
Customers, net of allowance	26,394,894	18,367,590
Taxes	9,863,262	8,044,268
Grants	63,578,486	52,808,428
Miscellaneous	1,703,577	3,415,995
Inventory of supplies	4,756,195	5,303,745
Prepaid expenses	617,810	1,379,165
Total unrestricted and undesignated	150,509,732	114,008,894
Designated cash, cash equivalents, and investments:		
Cash and cash equivalents designated for capital projects	65,578,148	68,926,336
Other	3,892,230	4,120,738
Total designated cash, cash equivalents, and investments	69,470,378	73,047,074
Total current assets	219,980,110	187,055,968
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents restricted for capital projects	170,436,101	235,720,245
Debt service reserve	47,217,981	46,199,659
Health insurance reserve	2,107,501	1,867,501
Total restricted cash, cash equivalents, and investments	219,761,583	283,787,405
Property, plant and equipment	3,669,235,817	3,403,857,647
Less: accumulated depreciation	924,544,157	876,976,442
Property, plant and equipment, net	2,744,691,660	2,526,881,205
Other assets:		
Designated cash for customer deposits	11,773,473	11,178,704
Deposits	51,315	51,315
Total other assets	11,824,788	11,230,019
Total noncurrent assets	2,976,278,031	2,821,898,629
Total assets	3,196,258,141	3,008,954,597
Deferred outflows of resources		
Deferred amounts related to net pension liability	16,904,538	19,080,030
Deferred loss on bond refunding	3,602,317	3,954,869
Total deferred outflows of resources	20,506,855	23,034,899
Total assets and deferred outflows of resources	$ 3,216,764,996	$ 3,031,989,496

(Continued)

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF NET POSITION
December 31, 2016 and 2015
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2016	2015
Current liabilities (payable from current unrestricted assets):		
Accounts payable	$ 40,019,085	$ 38,939,024
Due to City of New Orleans	394,882	154,760
Disaster Reimbursement Revolving Loan (Note 13)	11,098,232	14,094,172
Retainers and estimates payable	9,593,411	8,320,253
Due to pension trust fund	150,212	132,932
Accrued salaries	840,861	571,197
Accrued vacation and sick pay	9,822,495	9,500,827
Claims payable	15,654,076	10,682,012
Debt Service Assistance Fund loan payable	4,627,616	4,422,414
Advances from federal government	6,369,909	7,561,533
Other liabilities	106,388	153,791
Total current liabilities (payable from current unrestricted assets):	98,677,167	94,532,915
Current liabilities (payable from current restricted assets):		
Accrued interest	2,236,098	2,768,828
Bonds payable	17,627,000	14,827,000
Retainers and estimates payable	845,408	365,742
Total current liabilities (payable from current restricted assets):	20,708,506	17,961,570
Total current liabilities	119,385,673	112,494,485
Long-term liabilities:		
Claims payable	1,550,695	2,490,568
Net pension liability	80,749,658	76,967,564
Other postretirement benefits liability	73,580,341	67,579,016
Bonds payable, net of current maturities	482,308,158	502,731,633
Southeast Louisiana Project liability	163,995,508	115,703,588
Debt Service Assistance Fund loan payable, net of current maturities	52,603,109	57,230,725
Customer deposits	11,773,473	11,178,704
Total long-term liabilities	866,560,942	833,881,798
Total liabilities	985,946,615	946,376,283
Deferred inflows of resources:		
Deferred amounts related to net pension liability	2,396,433	2,924,898
Total deferred inflows of resources	2,396,433	2,924,898
Net position:		
Net investment in capital assets	2,415,192,603	2,009,322,572
Restricted for debt service	47,217,981	46,199,659
Restricted for capital improvements	170,436,101	235,720,245
Unrestricted	(404,424,737)	(208,554,161)
Total net position	2,228,421,948	2,082,688,315
Total liabilities, deferred inflows of resources, and net position	$ 3,216,764,996	$ 3,031,989,496

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2016 and 2015

	2016	2015
Operating revenues:		
Sales of water and delinquent fees	$ 83,158,940	$ 78,007,937
Sewerage service charges	104,795,184	95,636,966
Plumbing inspection and license fees	638,502	610,768
Other revenue	4,078,380	8,290,157
Total operating revenues	192,671,006	182,545,828
Operating expenses:		
Power and pumping	13,499,216	13,139,255
Treatment	20,300,344	18,740,637
Transmission and distribution	37,174,706	35,878,137
Customer accounts	4,151,027	3,807,405
Customer service	4,271,555	3,973,344
Administration and general	18,506,107	16,848,253
Payroll related	43,990,879	36,349,834
Maintenance of general plant	23,979,309	27,148,505
Depreciation	52,060,674	51,661,651
Provision for doubtful accounts	3,413,404	2,466,131
Provision for claims	6,450,805	2,435,209
Total operating expenses	227,798,026	212,448,361
Operating loss	(35,127,020)	(29,902,533)
Non-operating revenues (expenses):		
Three-mill tax	16,043,825	14,139,193
Six-mill tax	16,215,799	14,290,667
Nine-mill tax	23,762,398	21,421,102
Two-mill tax	7,526	4,960
Other taxes	564,050	581,395
Federal noncapital grants	24,738	2,405
Interest income	4,667,470	2,511,046
Bond issuance costs	-	(1,510,657)
Interest expense	(32,471)	(53,518)
Total non-operating revenues	61,253,335	51,386,593
Income before capital contributions	26,126,315	21,484,060
Capital contributions	119,607,318	131,899,206
Change in net position	145,733,633	153,383,266
Net position, beginning of year	2,082,688,315	1,929,305,049
Net position, end of year	$ 2,228,421,948	$ 2,082,688,315

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Cash received from customers	$ 177,348,307	$ 169,633,900
Cash payments to suppliers for goods and services	(74,377,935)	(55,136,121)
Cash payments to employees for services	(76,371,844)	(89,256,648)
Other revenue	6,429,300	7,887,156
Net cash provided by operating activities	33,027,828	33,128,287
Cash flows from noncapital financing activities		
Proceeds from property taxes	54,774,604	50,523,996
Proceeds from federal noncapital grants	24,738	2,405
Net cash provided by noncapital financing activities	54,799,342	50,526,401
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(121,191,935)	(119,361,237)
Principal payments and refundings of bonds payable	(14,474,448)	(12,906,475)
Proceeds from bonds payable	-	225,512,532
Payments for bond issuance costs	-	(1,510,657)
Principal payments on Debt Service Assistance Fund loan	(4,422,414)	(4,225,892)
Interest paid on bonds payable	(26,982,130)	(18,853,374)
Payments to construction fund	(3,632,953)	(3,803,850)
Proceeds from construction fund	2,759	9,662
Capital contributed by developers and federal grants	28,169,723	39,068,314
Net cash (used in) provided by capital and related financing activities	(142,531,398)	103,929,023
Cash flows from investing activities		
Investment income	6,602,284	3,063,263
Net cash provided by investing activities	6,602,284	3,063,263
Net (decrease) increase in cash	(48,101,944)	190,646,974
Cash at the beginning of the year	386,811,162	196,164,188
Cash at the end of the year	$ 338,709,218	$ 386,811,162
Reconciliation of cash, designated cash, and restricted cash (Note 2)		
Current assets - cash	$ 43,595,508	$ 24,689,703
Designated assets - cash	77,993,851	80,975,778
Restricted assets - cash	217,119,859	281,145,681
Total cash	$ 338,709,218	$ 386,811,162

(Continued)

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the years ended December 31, 2016 and 2015
(Continued)

	2016	2015
Reconciliation of operating loss to net cash provided by operating activities is as follows:		
Operating loss	$ (35,127,020)	$ (29,902,533)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	52,060,674	51,661,651
Provision for claims	6,450,805	2,435,209
Provision for doubtful accounts	3,413,404	2,466,131
Change in operating assets and liabilities:		
Increase in customer receivables	(11,440,708)	(4,482,440)
Decrease in inventory	547,550	163,356
(Increase) decrease in prepaid expenses and other receivables	2,473,773	(1,490,217)
Increase in deferred outflows of resources related to net pension liability	2,175,492	(15,286,024)
Increase in net pension obligation	3,782,094	17,279,512
Increase in accounts payable	4,194,015	5,337,677
Increase (decrease) in accrued salaries, due to pension and accrued vacation and sick pay	608,612	(1,268,497)
Increase in customer deposits	594,769	476,849
Increase in net other postretirement benefits liability	6,001,325	6,370,271
Decrease in other liabilities	(2,178,492)	(2,082,234)
Increase (decrease) in deferred outflows of resources related to net pension liability	(528,465)	1,449,576
Net cash provided by operating activities	$ 33,027,828	$ 33,128,287
Schedule of non-cash capital and related financing activities		
Contributions of capital assets	$ 91,437,595	$ 92,830,892
Additions of property, plant and equipment in accounts payable	$ 18,657,727	$ 21,771,681

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND
December 31, 2016 and 2015

	2016	2015
Assets:		
Cash	$ 40,495	$ 317,096
Receivables:		
Investment income	77,982	75,514
Employee contributions receivable	33,751	29,822
Due from other fund	-	927,833
Investments:		
Money market	1,715,931	808,697
LAMP	13,779,922	13,160,048
Debt securities	79,742,033	76,945,620
Hedge funds	20,487,315	21,009,019
Equities	108,525,255	109,153,878
Total assets	224,402,684	222,427,527
Liabilities:		
Due to other fund	46,423	-
Total Liabilities	46,423	-
Net position - restricted for pension benefits	$ 224,356,261	$ 222,427,527

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENTS OF CHANGES IN FIDUCIARY PLAN NET POSITION
PENSION TRUST FUND
For the years ended December 31, 2016 and 2015

	2016	2015
Additions:		
Contributions:		
Employee contributions	$ 2,064,387	$ 1,905,689
Employer contributions	6,407,201	6,506,652
City annuity and other transfers in	1,629,756	1,847,259
Total contributions	10,101,344	10,259,600
Investment income:		
Interest income	252,515	215,889
Dividend income	1,321,127	1,659,812
Net appreciation (depreciation)	11,840,116	(5,013,057)
	13,413,758	(3,137,356)
Less: investment expense	844,154	1,006,785
Net investment income (loss)	12,569,604	(4,144,141)
Total additions	22,670,948	6,115,459
Deductions:		
Benefits	(15,757,292)	(15,281,673)
Employee refunds	(421,087)	(351,266)
Employee contributions to DROP	(4,563,835)	(4,611,664)
Total deductions	(20,742,214)	(20,244,603)
Change in net position	1,928,734	(14,129,144)
Net position restricted for pension benefits at beginning of year	222,427,527	236,556,671
Net position restricted for pension benefits at end of year	$ 224,356,261	$ 222,427,527

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

History and Organization

The major operation of the Sewerage and Water Board of New Orleans (the Board) is providing water, sewerage, and drainage services for the City of New Orleans (the City). The Sewerage and Water Board of New Orleans was created by Act 6 of the Louisiana Legislature of 1899 as a special board independent of the City's government to construct, maintain, and operate a water treatment and distribution system and a public sanitary sewerage system for the City. In 1903, the Legislature gave the Board control of and responsibility for the City's major drainage system and relieved the City of the duty of providing in its annual operating budget or otherwise for the maintenance and operations of the water, sewerage, and drainage systems.

In accordance with the Louisiana Revised Statutes (LRS) 33:4096 and 4121, the Board has the authority to establish the water and sewerage rates to charge to its customers. The rates are based on the actual water consumed and on the costs of maintenance and operation of the water and sewerage systems, including the costs of improvements and replacements. The collections of water and sewerage revenues are to be used by the Board for the maintenance and operation of the systems, the cost of improvements, betterments, and replacements and to provide for the payments of interest and principal on the bonds payable. On November 14, 2012, the Board approved both sewer and water rate increases commencing January 1, 2013. The sewer and water rates increase approximately 10% each year until the year of 2020. This increase was approved by the New Orleans City Council on November 14, 2012.

The Board has also been given the authority to levy and collect various tax millages, which are used for the operation and maintenance of the drainage operations. All excess revenues collected are made available for capital development of the system. The proceeds of the rate collections and tax millages are invested in such investments as authorized by the LRS. These investments are reflected in the combined statements of net position, as "restricted assets," as they are restricted to the purposes as described above.

Effective January 1, 2014, the Board's makeup was changed to eleven members, including the Mayor of the City as the President of the Board, two members of the Board of Liquidation, City Debt, and eight citizens, as designated by State statutes. The terms of office are staggered from one year to four years, as designated by State statues.

The Board's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to utilities and to governmental units. The following is a summary of the more significant policies.

(1) Summary of Significant Accounting Policies (continued)

(A) Reporting Entity

In conformity with the Governmental Accounting Standards Board's definition of a reporting entity, the Board includes an enterprise fund and a pension trust fund for financial reporting purposes. The Board is considered a reporting entity based on the following criteria:

(a) Responsibility for surpluses/deficits. The Board is solely responsible for its surpluses/deficits. In accordance with LRS, no other governmental unit is responsible for the Board's deficits or has a claim to its surpluses. The Board's operations are self-sustaining; revenues are generated through charges to customers and dedicated property taxes. Other than grants, no funding is received from the State of Louisiana or the City of New Orleans.

(b) Budget Approval. The Board is solely responsible for reviewing, approving, and revising its budget.

(c) Responsibility for Debt. The LRS authorize the Board to issue bonds; such bonds must bear on their face a statement that they do not constitute a debt of the City. The Board is solely responsible for payments to bondholders. No other governmental unit is required by statute to make any payments to bondholders nor have any payments to bondholders ever been made by any governmental unit, except the Board.

(d) Designation of Management. The Board controls the hiring of management and employees.

(e) Special Financial Relationship. The Board has no special financial relationships with any other governmental unit.

(f) Statutory Authority. The Board's statutory authority was created by the State of Louisiana as an independent governmental unit. Only an amendment to the state statutes can change or abolish the Board's authority.

The Board is a stand-alone entity as defined by Governmental Accounting Standards Board Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The Board is a legally-separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. As a result of a Louisiana Supreme Court decision on March 21, 1994, the Board was declared to be an autonomous or self-governing legal entity, legally independent of the City, State and other governments, created and organized pursuant to Louisiana Revised Statutes 33:4071 as a board, separate and independent of the governing authorities of the City and vested with autonomous or self-governing authority. No other government can mandate actions of the Board nor impose specific financial burdens. The Board is fiscally independent to operate under its bond covenant and the provisions of LRS provisions.

(1) Summary of Significant Accounting Policies (continued)

(B) Basis of Financial Statement Presentation

The Board's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (the pension trust fund).

The operations of the Board are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Board's ongoing operations and activities, which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects, and unrestricted. The Board's restricted assets are expendable for their purposes. The Board utilizes available unrestricted assets before utilizing restricted assets. The operating statements present increases (revenues) and decreases (expenses) in net position. The Board maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Operating revenues include all charges for service; other revenues include reconnection fees and other miscellaneous charges. Operating expenses include the costs associated with providing water, sewerage, and drainage services. Interest income, interest expense, and tax revenues are presented as non-operating items.

The enterprise fund is presented in the government-wide financial statements.

Fiduciary Fund Type

The fiduciary fund is used to account for assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Board maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Board's employee retirement plan.

The pension trust fund is presented in the fund financial statements.

(1) Summary of Significant Accounting Policies (continued)

(C) Basis of Accounting

The enterprise fund and the pension trust fund prepare their financial statements on the accrual basis of accounting. Unbilled utility service charges are not recorded as management considers the effect of not recording such unbilled receivables as not material. Property taxes are recorded as revenue in the year for which they are levied. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the pension plan are recognized when due and the employer has made a commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(D) Investments

Investments are reported at fair value, except for short-term investments (maturity of one year or less), which are reported at amortized cost, which approximates fair value. Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Investment income and expenses, including changes in the fair value of the investments, are recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

(E) Inventory of Supplies

Inventory is valued at the lower of cost or market. Cost is determined by the weighted average cost method.

(F) Vacation and Sick Pay

Vacation (annual leave) and sick pay (sick leave) are accrued when earned. Annual leave is accrued at the rate of .6923 of a workday for each bi-weekly accrual period for all employees on the payroll as of December 31, 1978. Employees hired after that date earn leave at a rate of .5 of a workday per bi-weekly pay period.

All employees on the payroll as of December 31, 1978 receive three bonus days each year; all employees hired after that date receive three bonus days each year for five through nine calendar years of continuous service; six bonus days each year for ten through fourteen years; nine bonus days each year for fifteen through nineteen years; and, twelve days for twenty or more years of continuous service. Civil Service's policy permits employees a limited amount of earned but unused annual leave which will be paid to employees upon separation from the Board. The amount shall not exceed ninety days for employees hired before January 1, 1979, and forty-five days for employees hired after December 31, 1978.

Sick leave is accumulated on a bi-weekly basis by all employees hired prior to December 31, 1978 at an accrual rate of .923 of a workday. For employees hired subsequent to December 31, 1978, the accrual rate is .5 of a workday for each bi-weekly period, plus a two day bonus each year for employees with six through fifteen calendar years of continuous service, and seven bonus days each year for employees with sixteen or more calendar years of continuous service.

(1) Summary of Significant Accounting Policies (continued)

(F) Vacation and Sick Pay (continued)

Upon separation from the Board, an employee can elect to convert unused sick leave for retirement credits or cash. The conversion to cash is determined by a rate ranging from one day of pay for five days of leave for the 1st through 100th leave day to one day of pay for one day of leave for all days in excess of the 400th leave day. The total liability for unconverted sick leave as of December 31, 2016 and 2015 is approximately $13,894,262 and $13,549,000, respectively. The amount included in the statements of net position as of December 31, 2016 and 2015 is $9,822,495 and $9,500,827, respectively, which represents the annual leave and the converted sick leave since virtually all employees convert their sick leave to cash. Therefore, the Board books the compensated absences as a current liability. The amounts for compensated absences include the salary cost as well as certain salary related costs, such as the Board's share of social security expense. The following table summarizes changes in the Board's vacation and sick pay liability.

Year	Beginning of Year Liability	Current Year Earned and Changes in Estimate	Payments	End of Year Liability
2016	$ 9,500,827	$ 3,744,057	$ (3,422,389)	$ 9,822,495
2015	$ 9,202,614	$ 3,647,221	$ (3,349,008)	$ 9,500,827

(G) Property, Plant, and Equipment

Property, plant, and equipment are carried at historical cost. The Board capitalizes moveable equipment with a value of $10,000 or greater, stationary, network, and other equipment with a value of $5,000 or greater and all real estate. The cost of additions includes contracted work, direct labor, materials, and allocable cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest is capitalized on property, plant, and equipment acquired and/or constructed with tax exempt debt. Depreciation is computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred, and significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

(1) Summary of Significant Accounting Policies (continued)

(H) Self-Insurance/Risk Management

The Board is self-insured for general liability, workers' compensation, unemployment compensation, and hospitalization benefits and claims. The accrued liability for the various types of claims represents an estimate by management of the eventual loss on the claims arising prior to year-end, including claims incurred and not yet reported including estimates of both future payments of losses and related claims adjustment and expense. Estimated expenses and recoveries are based on a case by case review.

(I) Bond Issuance Costs and Refinancing Gains (Losses)

Costs related to issuing bonds are expensed when incurred. Premiums and discounts associated with bond issues are amortized over the interest yield method.

(J) Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The deferred charge on refunding reported on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 3 for the components of deferred outflows and inflows of resources related to the pension plans.

(K) Pension

The Board may fund all or part of the accrued pension cost, depending on the resources that are available at the time of contribution, for its contributory pension plan which covers substantially all employees. Annual costs are actuarially computed using the entry age normal cost method.

(L) Drainage System

In 1903, the Legislature gave the Board control of and responsibility for the City's drainage system. The Drainage System was established as a department of the enterprise fund to account for the revenues from three-mill, six-mill, and nine-mill ad valorem taxes designated exclusively for drainage services. These revenues have been supplemented by inspection and license fees collected by the Board. There exists a potential for additional financing by additional user service charges. Expenditures from the system are for the debt service of three-mill, six-mill, and nine-mill tax bonds and drainage related operation, maintenance, and construction.

(1) Summary of Significant Accounting Policies (continued)

(M) Capital Contributions

Contributions from developers and others, and receipts of Federal, State, and City grants for acquisition of property, plant, and equipment are recorded as capital contributions in the statements of revenues, expenses, and changes in net position.

(N) Net Position Flow Assumption

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. The Board's policy is to consider restricted net position to have been depleted before unrestricted-net position is applied.

(O) Net Position

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net position. Rather, that portion of debt is included in the same component of net position as the unspent proceeds.

Restricted – This net position component reports externally imposed constraints placed on their use by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

(P) Cash Flows

For purposes of the statements of cash flows, only cash on hand and on deposit at financial institutions is considered to be cash equivalents. Certificates of deposits, treasury bills, and other securities are considered investments.

(Q) Operating and Nonoperating Revenues

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with principal ongoing operations. The principal operating revenues of the Board are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(1) Summary of Significant Accounting Policies (continued)

(R) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

(2) Cash and Investments

The Board's investments and cash consist primarily of investments in direct obligations of the United States or agencies thereof and deposits with financial institutions.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Statutes require that the Board's cash and certificates of deposit be covered by federal depository insurance or collateral. At December 31, 2016, the Board's interest bearing deposits with banks consisted of cash and money market funds totaling \$296,814,483 and certificates of deposit of \$273,486. At December 31, 2015, the Board's interest bearing deposits with banks consisted of cash and money market funds totaling \$345,570,241 and certificates of deposit of \$273,347. The Board's cash bank balances and all certificates of deposit for 2016 and 2015 were covered by federal depository insurance or collateral held by custodial agents of the financial institutions in the name of the Board.

In accordance with GASB 40, unless there is information to the contrary, obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

(2) Cash and Investments (continued)

The following are the components of the Board's cash and investments as of December 31 for the Enterprise Fund:

2016		Unrestricted		Restricted		Total
Enterprise Fund:						
Cash and money market funds	$	121,315,874	$	217,119,859	$	338,435,733
Certificates of deposit		273,485		-		273,485
		121,589,359		217,119,859		338,709,218
Investments - LAMP		3,250,000		2,641,724		5,891,724
Total cash and investments at fair value	$	124,839,359	$	219,761,583	$	344,600,942

2015		Unrestricted		Restricted		Total
Enterprise Fund:						
Cash and money market funds	$	105,392,134	$	281,145,681	$	386,537,815
Certificates of deposit		273,347		-		273,347
		105,665,481		281,145,681		386,811,162
Investments - LAMP		3,250,000		2,641,724		5,891,724
Total cash and investments at fair value	$	108,915,481	$	283,787,405	$	392,702,886

(A) Fair Value Measurement

To the extent available, the Board’s investments are recorded at fair value as of December 31, 2016. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

(2) Cash and Investments (continued)

(A) Fair Value Measurement (continued)

Investments - Statutes authorize the Board to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, repurchase agreements, and the Louisiana Asset Management Pool (LAMP). In addition, the pension trust fund is authorized to invest in corporate bonds rated BBB or better by Standard & Poors Corporation or Baa or better by Moody's Investors Service and equity securities.

A summary of the Fund's invests along with the Fair value hierarchy levels of each type of investment is as follows:

		Fair Value Hierarchy		
	12/31/2016	Quoted Prices in Active Markets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Investment by Fair Value Level:				
Equities	$ 108,525,255	$ 108,525,255	$ -	$ -
Debt Securities	79,742,033	-	79,742,033	-
Hedge Funds	20,487,315	-	20,487,315	-
Total Investments at Fair Value Level	$ 208,754,603	$ 108,525,255	$ 100,229,348	$ -
Investment measured at the net asset value (NAV):				
Money market funds	$ 285,016,120			
LAMP	19,671,645			
Certificate of Deposit	273,486			
Total Investments at NAV	$ 304,961,251			
Total Investments at Fair Value	$ 513,715,854			

Money market funds, LAMP, and certificate of deposit are measured using NAV as a practical expedient. These investments have not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

A reconciliation of the enterprise and pension funds to the total investments at December 31, 2016 is as follows:

	Enterprise	**Pension**	**Total**
Money market	$ 283,300,189	$ 1,715,931	$ 285,016,120
LAMP	5,891,723	13,779,922	19,671,645
Certificate of Deposit	273,486	-	273,486
Other investments	-	208,754,603	208,754,603
	$ 289,465,398	$ 224,250,456	$ 513,715,854

(2) Cash and Investments (continued)

(B) Louisiana Asset Management Pool (LAMP)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit risk: LAMP is rated AAAm by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 75 as of December 31, 2016.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

(2) Cash and Investments (continued)

(C) Credit and Interest Risk

Credit Risk - State law limits investments in securities issued, or backed by United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The Board's investment policy does not further limit its investment choices. LAMP is rated AAAm by Standard & Poor's. The Pension Trust Fund's investment policy requires that fixed income investments be investment grade (BBB or higher as rated by Standard & Poor's or Baa or higher as rated by Moody's). Bonds rated below BBB/Baa are not to exceed 15% of the portfolio, and non-rated bonds are not to exceed 1% of the portfolio.

Following are the credit risk ratings of the Pension Trust Fund's investments in debt securities as of December 31, 2016:

Rating	Corporate Bonds	Foreign Government Bonds	Government Bonds and U.S. Treasury Notes	Other	Total	Percentage of Total
AAA	$ -	$ -	$ 19,919,181	$ 14,311,575	$ 34,230,756	42.87%
AA+	130,821	-	-	69,908	200,729	0.25%
AA	92,738	-	-	369,843	462,581	0.58%
AA-	337,259	-	-	705,390	1,042,649	1.31%
A+	1,265,653	-	-	195,724	1,461,377	1.83%
A	3,533,573	19,760	-	714,178	4,267,511	5.34%
A-	5,764,628	38,222	-	188,514	5,991,364	7.50%
BBB+	3,395,461	-	-	2,565,903	5,961,364	7.47%
BBB	4,771,163	148,644	-	100,235	5,020,042	6.29%
BBB-	5,582,274	295,503	-	701,179	6,578,956	8.24%
BB+	1,674,724	50,710	-	96,877	1,822,311	2.28%
BB	766,273	267,656	-	1,186,890	2,220,819	2.78%
BB-	1,101,823	173,585	-	144,094	1,419,502	1.78%
B+	924,767	144,147	-	25,560	1,094,474	1.37%
B	440,465	208,459	-	210,459	859,383	1.08%
B-	518,269	170,795	-	142,123	831,187	1.04%
CCC+	194,437	-	-	9,362	203,799	0.26%
CCC	-	-	-	-	-	0.00%
CCC-	65,223	36,914	-	60,958	163,095	0.20%
CC	11,845	-	-	20,397	32,242	0.04%
C	18,603	-	-	39	18,642	0.02%
D	-	-	-	-	-	0.00%
Not Rated	141,961	51,133	1,612,948	4,154,206	5,960,248	7.46%
Total	$ 30,731,960	$ 1,605,528	$ 21,532,129	$ 25,973,414	$ 79,843,031	100%

(2) Cash and Investments (continued)

(C) Credit and Interest Risk (continued)

Following are the credit risk ratings of the Pension Trust Fund's investments in debt securities as of December 31, 2015:

Rating	Corporate Bonds	Foreign Government Bonds	Government Bonds and U.S. Treasury Notes	Other	Total	Percentage of Total
AAA	$ -	$ -	$ 10,260,998	$ 3,015,226	$ 13,276,224	17.25%
AA+	599,968	-	-	30,768	630,736	0.82%
AA	92,303	-	-	169,222	261,525	0.34%
AA-	476,898	153,838	469,206	38,460	1,138,402	1.48%
A+	1,684,527	7,692	-	292,292	1,984,511	2.58%
A	6,191,982	61,535	7,692	1,061,483	7,322,692	9.52%
A-	6,038,144	38,460	1,038,407	192,298	7,307,309	9.50%
BBB+	4,138,244	1,146,094	207,681	46,151	5,538,170	7.20%
BBB	5,922,765	123,070	7,692	107,687	6,161,214	8.01%
BBB-	6,038,144	730,731	-	699,963	7,468,838	9.71%
BB+	1,384,542	1,030,715	-	30,768	2,446,025	3.18%
BB	1,007,639	7,692	-	192,298	1,207,629	1.57%
BB-	1,223,013	246,141	-	176,914	1,646,068	2.14%
B+	1,330,699	46,151	-	30,768	1,407,618	1.83%
B	469,206	84,611	-	146,146	699,963	0.91%
B-	646,120	76,919	-	46,151	769,190	1.00%
CCC+	338,444	-	-	7,692	346,136	0.45%
CCC	76,919	153,838	-	107,687	338,444	0.44%
CCC-	-	-	-	23,076	23,076	0.03%
CC	84,611	-	-	7,692	92,303	0.12%
C	7,692	-	-	15,384	23,076	0.03%
D	-	-	-	46,151	46,151	0.06%
Not Rated	76,919	207,681	-	16,525,720	16,810,320	21.85%
Total	$ 37,828,779	$ 4,115,168	$ 11,991,676	$ 23,009,997	$ 76,945,620	100%

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Board has a formal investment policy that states that the investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be reasonably anticipated and that maturities of investments are to be structured concurrent with cash needs to meet anticipated demand.

(2) Cash and Investments (continued)

(D) Pension Trust Fund Investments

As of December 31, 2016, the Pension Trust Fund had the following investments in debt securities and maturities:

	Duration					
Investment Type	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years	Duration Not Available	Total
Corporate Bonds	$ 3,179,391	$ 13,226,936	$ 11,182,301	$ 3,016,635	$ 126,698	$ 30,731,961
Foreign Government Bonds	127,300	564,103	609,634	304,492	-	1,605,529
Government Bonds and U.S. Treasury Notes	-	10,474,838	6,605,338	4,350,953	-	21,431,129
Other	3,495,397	11,454,351	9,620,717	1,307,733	95,216	25,973,414
Total	$ 6,802,088	$ 35,720,228	$ 28,017,990	$ 8,979,813	$ 221,914	$ 79,742,033

As of December 31, 2015, the Pension Trust Fund had the following investments in debt securities and maturities:

	Duration					
Investment Type	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years	Duration Not Available	Total
Corporate Bonds	$ 3,443,434	$ 16,922,571	$ 13,428,447	$ 3,898,641	$ 135,686	$ 37,828,779
Foreign Government Bonds	311,907	1,584,301	1,280,933	938,027	-	4,115,168
Government Bonds and U.S. Treasury Notes	17,999	5,478,173	2,639,707	3,855,797	-	11,991,676
Other	4,283,928	14,594,309	4,011,097	11,999	108,664	23,009,997
Total	$ 8,057,268	$ 38,579,354	$ 21,360,184	$ 8,704,464	$ 244,350	$ 76,945,620

(E) Security Lending

Under the provisions of its benefit plan and state law, the Board's pension benefit trust engages in securities lending to broker dealers and other entities for cash collateral that will be returned for the same securities in the future. The cash collateral cannot be liquidated by the Board unless the borrower defaults. Cash collateral is initially pledged at 102.73% of the market value of securities lent and additional collateral is provided by the next business day if the value falls to less than 100% of the market value of the securities lent. No collateral exposure existed at December 31, 2016 and 2015. The value of securities lent at December 31, 2016 and 2015 was $41,519,835 and $49,795,269, respectively. The market value of the cash collateral at December 31, 2016 and 2015 was $42,465,707 and $51,153,684, respectively.

(3) Defined Benefit Pension Plan

Plan Descriptions

The Board has a single-employer contributory retirement plan covering all full-time employees, the Pension Trust Fund (PTF). The Board's payroll for current employees covered by the PTF for the years ended December 31, 2016 and 2015 was $35,363,156 and $33,672,902, respectively; such amounts exclude overtime and standby payroll. At December 31, the PTF membership consisted of:

	2016	2015
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	861	841
Current employees:		
Vested	513	513
Non-vested	485	458
	998	971
Total	1,859	1,812

Benefits Provided

The benefit provisions were established by action of the Board in 1956 in accordance with Louisiana statutes. The Board retains exclusive control over the plan through the Pension Committee of the PTF. Effective January 1, 1996, the plan became qualified under Internal Revenue Code Section 401(a) and thus is tax exempt.

The plan provides for retirement benefits as well as death and disability benefits. All benefits vest after ten years of service. Employees who retire at or after age 65 with ten years of credited service are entitled to an annual retirement benefit, payable biweekly for life, in an amount equal to two percent of their average compensation for each year of credited service up to ten years, increasing by (1) one-half percent per year for service years over ten years, (2) an additional one-half percent per year for service years over twenty years and (3) an additional one percent per year for service years over thirty years, for a maximum of four percent for each year of credited service. Average compensation is the average annual earned compensation (prior to 2002, less $1,200) for the period of 36 successive months of service during which the employee's compensation was the highest. Employees with thirty years or more of credited service may retire without a reduction in benefits. Employees may retire prior to age 62 without 30 years of service with a reduction in benefits of three percent for each year of age below the age of 62. If an employee leaves covered employment or dies before three years of credited service, the accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary.

(3) Defined Benefit Pension Plan (continued)

Plan Descriptions (continued)

Benefits Provided (continued)

The retirement allowance for retirees over age 62 is subject to a cost of living adjustment each January 1, provided that the member retired on or after January 1, 1984. The adjustment is based on the increase in the Consumer Price Index for all urban wage earners published by the U.S. Department of Labor but is limited to an annual maximum of two percent on the first $10,000 of initial retirement benefits.

Effective September 23, 1993, employers may transfer credit between the Board's plan and the City of New Orleans' retirement system with full credit for vested service. The Board and its employees are obligated under plan provisions to make all required contributions to the plan. The required contributions are actuarially determined. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. Employees are required to contribute four percent of their regular salaries or wages.

Deferred Retirement Option Program (DROP)

Beginning in 1996, the Board offered employees a "Deferred Retirement Option Plan" (DROP), an optional retirement program which allows an employee to elect to freeze his or her retirement benefits but continue to work and draw a salary for a minimum period of one year to a maximum period of five years. While continuing employment, the retirement benefits are segregated from overall plan assets available to other participants. As of December 31, 2016 and 2015, 121 and 123 employees, respectively, participated in the plan. The amount of plan assets segregated for these individuals was $11,328,708 and $11,310,510 as of December 31, 2016 and 2015, respectively.

Funding Policy

The actuarially determined contribution requirement for the Board was 36.175% and 37.073% for 2016 and 2015. The contribution requirement for employees for the year ended December 31, 2015 was 6.0%. The employee contribution remained at 6.0% for January 1, 2016. The actual Board's and employees' contributions (including contributions for transferred employees from other pension plans) for the years ended December 31 were as follows:

	2016	2015
Employer and other transfers	$ 8,036,957	$ 8,353,911
Employee	2,064,387	1,905,689
Total contributions	$ 10,101,344	$ 10,259,600

Net Pension Liability

The Board's Net Pension Liability was measured as of December 31, 2016 and 2015. The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

(3) Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, using the following actuarial assumptions:

	2016	2015
Investment rate of return	7.00%	7.00%
Inflation	2.00%	2.50%
Salary increases including inflation	5.00%	5.00%

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 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 an asset allocation percentage which is based on the nature and mix of current and expected plan investments and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Trust Fund's current and expected asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	8.5%
Fixed Income	6.5%
Alternative	7.0%
Cash and Equivalents	--

Discount Rate

The discount rate used to measure the total pension liability was 7% for the 2016 and 2015 plan years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that the plan's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the years ended December 31, 2016 and 2015, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were 5.79% and -1.79%, respectively.

(3) Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net Pension Liability to Change in the Discount Rate

The following presents the net pension liability of the Board as of December 31, 2016, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate.

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Total pension liability	$ 333,051,219	$ 305,105,919	$ 281,298,180
Fiduciary net position	224,356,261	224,356,261	224,356,261
Net pension liability	108,694,958	80,749,658	56,941,919

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	$ 299,395,091	$ 222,427,527	$ 76,967,564
Changes for the year:			
Service cost	3,030,914	-	3,030,914
Interest	20,957,657	-	20,957,657
Difference between expected and actual experience	834,712	-	834,712
Changes of assumptions	-	-	-
Contributions – employer	-	6,407,201	(6,407,201)
Contributions – employee	-	2,064,387	(2,064,387)
Contributions – fines	-	-	-
Net investment income	-	12,569,601	(12,569,601)
Benefit payments, including refunds of employee contributions	(19,112,455)	(19,112,455)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	5,710,828	1,928,734	3,782,094
Balances at December 31, 2016	$ 305,105,919	$ 224,356,261	$ 80,749,658

For the year ended December 31, 2016, the Board will recognize a Pension Expense of $11,836,322 in payroll related expense on the statements of revenues, expenses, and changes in net position.

(3) Defined Benefit Pension Plan (continued)

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

On December 31, 2016, the Board reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,396,433
Net difference between projected and actual earnings on pension plan investments	16,904,538	-
Total	$ 16,904,538	$ 2,396,433

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

2017	$ 5,108,325
2018	5,108,325
2019	4,159,823
2020	101,191
2021	(178,237)
2022	104,339
2023	104,339
	$ 14,508,105

The Board's Pension Plan Fiduciary Net Position

A separate report on the pension trust fund is not issued.

(4) Property, Plant, and Equipment

The useful lives of property, plant, and equipment consisted of the following:

Power and pumping stations - buildings	57 years
Power and pumping stations - machinery	40 years
Distribution systems	75 years
Sewerage collection	75 years
Canals and subsurface drains	75 to 100 years
Treatment plants	50 years
Connections and meters	50 years
Power transmission	50 years
General plant	12 years
General buildings	25 years

(4) Property, Plant and, Equipment (continued)

Property, plant, and equipment consisted of the following as of December 31:

	2016				
		Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Cost					
Real estate rights, non depreciable	$	13,930,960	1,701	(385,384)	$ 13,547,277
Power and pumping stations - buildings		378,753,917	678,497	-	379,432,414
Power and pumping stations - machinery		317,318,704	5,330,730	-	322,649,434
Distribution systems		252,342,832	19,706,914	(1,961,146)	270,088,600
Sewerage collection		490,556,101	30,929,165	(1,610,987)	519,874,279
Canals and subsurface drainage		622,989,487	82,516,810	-	705,506,297
Treatment plants		200,451,465	260,521	-	200,711,986
Connections and meters		98,488,474	1,779,136	(23,932)	100,243,678
Power transmission		31,409,715	408,233	-	31,817,948
General plant and buildings		282,546,927	2,381,645	(333,106)	284,595,466
Total property, plant, and equipment in service		2,688,788,582	143,993,352	(4,314,555)	2,828,467,379
Construction in progress		715,069,065	269,692,725	(143,993,352)	840,768,438
Total property, plant, and equipment		3,403,857,647	413,686,077	(148,307,907)	3,669,235,817
Accumulated Depreciation					
Power and pumping stations - buildings		139,335,381	6,617,813	-	145,953,194
Power and pumping stations - machinery		169,223,128	8,078,527	-	177,301,655
Distribution systems		52,226,728	3,208,521	(1,961,146)	53,474,103
Sewerage collection		55,812,167	6,914,328	(1,610,987)	61,115,508
Canals and subsurface drainage		85,985,428	7,100,851	-	93,086,279
Treatment plants		68,620,505	4,014,240	-	72,634,745
Connections and meters		36,554,319	2,001,608	(23,932)	38,531,995
Power transmission		15,683,623	635,488	-	16,319,111
General plant and buildings		253,535,163	12,925,510	(333,106)	266,127,567
Total accumulated depreciation		876,976,442	51,496,886	(3,929,171)	924,544,157
Net property, plant, and equipment	$	2,526,881,205	$ 362,189,191	$ (144,378,736)	$ 2,744,691,660

(4) Property, Plant, and Equipment (continued)

	2015			
	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Cost				
Real estate rights, non depreciable	$ 13,575,258	$ 355,702	$ -	$ 13,930,960
Power and pumping stations - buildings	368,676,632	10,077,285	-	378,753,917
Power and pumping stations - machinery	302,403,973	14,915,732	-	317,319,705
Distribution systems	227,823,078	25,802,516	(1,282,763)	252,342,831
Sewerage collection	452,858,359	39,508,551	(1,810,809)	490,556,101
Canals and subsurface drainage	551,928,776	71,060,711	-	622,989,487
Treatment plants	194,886,446	5,565,019	-	200,451,465
Connections and meters	94,138,623	4,450,609	(100,758)	98,488,474
Power transmission	28,187,555	3,222,160	-	31,409,715
General plant	268,271,605	7,280,540	(227,832)	275,324,313
General buildings	7,221,614	-	-	7,221,614
Total property, plant, and equipment in service	2,509,971,919	182,238,825	(3,422,162)	2,688,788,582
Construction in progress	639,095,470	258,212,420	(182,238,825)	715,069,065
Total property, plant, and equipment	3,149,067,389	440,451,245	(185,660,987)	3,403,857,647
Accumulated Depreciation				
Power and pumping stations - buildings	132,245,387	7,097,427	-	139,342,814
Power and pumping stations - machinery	161,191,489	8,031,639	-	169,223,128
Distribution systems	50,027,464	3,482,027	(1,282,763)	52,226,728
Sewerage collection	51,098,580	6,524,396	(1,810,809)	55,812,167
Canals and subsurface drainage	79,653,460	6,331,968	-	85,985,428
Treatment plants	64,611,476	4,009,029	-	68,620,505
Connections and meters	34,646,578	2,008,499	(100,758)	36,554,319
Power transmission	15,050,667	632,956	-	15,683,623
General plant	233,453,215	12,923,691	(227,832)	246,149,074
General buildings	7,089,792	288,864	-	7,378,656
Total accumulated depreciation	829,068,108	51,330,496	(3,422,162)	876,976,442
Net property, plant, and equipment	$ 2,319,999,281	$ 389,120,749	$ (182,238,825)	$ 2,526,881,205

(4) Property, Plant and Equipment (continued)

Interest capitalized was as follows for the years ended December 31:

	2016	2015
Interest income	$ 4,097,035	$ 2,192,700
Interest expense	(26,369,526)	(19,166,588)
Net interest capitalized	$ (22,272,491)	$ (16,973,888)

(5) Customer Receivables

Customer receivables as of December 31 consist of the following:

		Customer Accounts	Allowance for Doubtful Accounts	Net
2016	Water	$ 17,554,149	$ 4,883,220	$ 12,670,929
	Sewer	18,182,832	4,458,867	13,723,965
		$ 35,736,981	$ 9,342,087	$ 26,394,894
2015	Water	$ 13,999,474	$ 4,089,042	$ 9,910,432
	Sewer	12,067,540	3,610,382	8,457,158
		$ 26,067,014	$ 7,699,424	$ 18,367,590

(6) Changes in Long-Term Obligations

(A) Bonds Payable

Bonds payable consisted of the following as of December 31:

	Principal Balances 2016	Principal Balances 2015
0.45% sewerage service subordinate revenue bonds, series 2011 (initial average interest cost 0.95%); due in annual principal installments ranging from $411,000 to $491,000; final payment due December 1, 2032.	$ 7,333,000	$ 7,755,000
2.00% to 4.00% drainage system bonds, series 2014 (initial average interest cost 1.88%); due in annual principal installments ranging from $535,000 to $2,000,000; final payment due December 1, 2022.	11,100,000	12,750,000
2.00% to 5.00% sewerage service revenue bonds (initial average interest cost 3.86%); series 2014, due in annual principal installments ranging from $1,970,000 to $12,970,000; final payment due June 1, 2044.	135,335,000	147,765,000
5.00% water revenue bonds, series 2014 initial average interest cost 4.43%); due in annual principal installments ranging from $325,000 to $6,225,000; final payment due December 1, 2044.	103,200,000	103,525,000
4.98% water revenue bonds, series 2015 initial average interest cost 4.38%); due in annual principal installments ranging from $325,000 to $6,225,000; final payment due December 1, 2045.	100,000,000	100,000,000
5.00% sewerage service revenue bonds, series 2015 initial average interest cost 4.39%); due in annual principal installments ranging from $325,000 to $6,225,000; final payment due December 1, 2045.	100,000,000	100,000,000
	456,968,000	471,795,000
Plus: bond premiums	42,967,158	45,763,633
Total	499,935,158	517,558,633
Less: current maturities	(17,627,000)	(14,827,000)
Bond payable, long-term	$ 482,308,158	$ 502,731,633

(6) Changes in Long-Term Obligations (continued)

(A) Bonds Payable (continued)

The changes in long-term debt were as follows:

		2016		2015
Balance, beginning of year	$	471,795,000	$	285,054,000
Payments		(14,827,000)		(13,259,000)
Refunded		-		-
Proceeds		-		200,000,000
Balance, end of year	$	456,968,000	$	471,795,000

The annual requirements to amortize bonds payable as of December 31, 2016, are as follows:

Year		Principal		Interest		Total
2017	$	17,627,000	$	21,806,665	$	39,433,665
2018		17,461,000		21,004,668		38,465,668
2019		16,900,000		20,203,929		37,103,929
2020		17,819,000		19,389,996		37,208,996
2021		17,453,000		18,581,121		36,034,121
2022-2026		56,898,000		83,746,804		140,644,804
2027-2031		56,884,000		71,236,951		128,120,951
2032-2036		72,006,000		56,158,694		128,164,694
2037-2041		92,045,000		36,127,500		128,172,500
2042-2045		91,875,000		10,665,000		102,540,000
	$	456,968,000	$	358,921,328	$	815,889,328

The amount of revenue bonds and tax bonds payable as of December 31, 2016, are as follows:

Year		Revenue Bonds		Tax Bonds		Total
2017	$	15,937,000	$	1,690,000	$	17,627,000
2018		15,716,000		1,745,000		17,461,000
2019		15,085,000		1,815,000		16,900,000
2020		15,924,000		1,895,000		17,819,000
2021		15,498,000		1,955,000		19,453,000
2022-2026		54,898,000		2,000,000		54,898,000
2027-2031		56,884,000		-		56,884,000
2032-2036		72,006,000		-		72,006,000
2037-2041		92,045,000		-		92,045,000
2042-2045		91,875,000		-		91,875,000
	$	445,868,000	$	11,100,000	$	456,968,000

(6) Changes in Long-Term Obligations (continued)

(A) Bonds Payable (continued)

The indentures under which these bonds were issued provide for the establishment of restricted funds for debt service as follows:

1. Debt service funds are required for the payment of interest and principal on the revenue and tax bonds. Monthly deposits on revenue bonds, excluding bond anticipation notes, are required to be made into this fund from operations in an amount equal to 1/6 of the interest falling due on the next interest payment date, and an amount equal to 1/12 of the principal falling due on the next principal payment date. All debt service funds are administered by the Board of Liquidation. The required amount to be accumulated in this fund was $28,810,199 and $27,791,877 at December 31, 2016 and 2015, respectively; the accumulated balance at December 31, 2016 and 2015 was $28,810,199 and $27,791,877 respectively. Monthly deposits to the debt service funds were temporarily suspended due to debt service payments being paid directly by the State of Louisiana through a Cooperative Endeavor Agreement and resumed as of June 2008. See note (6) (D) for additional information.

2. A debt service reserve is required for an amount equal to but not less than 50% of the amount required to be credited in said month to the debt service fund until there shall be accumulated in the debt service reserve account the largest amount required in any future calendar year to pay the principal and interest on outstanding bonds, except for the water and sewer bonds. The water bonds require an amount equal to the largest amount required in any future calendar year to pay the principal of and interest on outstanding bonds. There is no debt service reserve required for the 1998 and 2002 drainage 9 mill tax bonds. The sewer bonds require an amount equal to 125% of average aggregate debt service. The amounts required to be accumulated in this fund were $18,407,782 and $18,407,782 at December 31, 2016 and 2015 respectively; the accumulated balance at December 31, 2016 and 2015 was $18,407,782 and $18,407,782, respectively.

The Board was in compliance with the requirements of its long-term debt agreements for the Water Department and Sewer Department for the years ended December 31, 2016 and 2015.

(B) Sewerage Service Subordinate Revenue Bonds, Series 2011

The City entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the Board $9,000,000 to fund sewer main replacements, point repairs, replacement of associated service connections and laterals, sewer line rehabilitation by cured in-place pipe lining and manhole rehabilitation. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ will be evidenced through the Sewerage Service Subordinate Revenue Bonds, Series 2011. Annual principal payments are due beginning November 1, 2013 and continuing through December 1, 2032. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on May 1, 2012 and are due semi-annually thereafter. As of December 31, 2016 and 2015, $7,333,000 and $7,755,000 is included as bonds payable, respectively.

(6) Changes in Long-term Obligations (continued)

(C) Series 2014 Bonds

During 2014, the Board refunded the Series 1997, 1998, 2000, 2000B, 2001, 2002, 2003, 2004, and 2009 Sewerage bonds. The Board issued $158,990,000 in Series 2014 Sewerage Service Revenue and Refunding Bonds with a final maturity of June 1, 2044. The bond proceeds, less issuance costs, and investments were used to refund the outstanding principle balance of the sewerage bonds in the amount of $121,870,000. By refunding these bonds, the Board estimated $20,696,313 in future savings related to future interest and principal payments. The Board estimated an economic gain of approximately $18,397,306. The cost of issuance of the Series 2014 Sewerage Bonds totaled $1,345,380, and the deferred loss on refunding was $4,708,925. Bond proceeds of $47,300,000 were restricted for capital projects.

During 2014, the Board refunded the Series 1998 and 2002 Water Bonds. The Board issued $103,525,000 in Series 2014 Water Revenue and Refunding Bonds with a final maturity of December 1, 2044. The bond proceeds, less issuance costs, and investments were used to refund the outstanding principle balance of the Water Bonds in the amount of $27,655,000. By refunding these bonds, the Board estimated $1,359,352 in future savings related to future interest and principal payments. The Board estimated an economic gain of approximately $2,738,262. The cost of issuance of the Series 2014 Water Bonds totaled $1,040,131 and the deferred loss on refunding was $34,901. Bond proceeds of $77,000,000 were restricted for capital projects.

During 2014, the Board refunded the Series 1998 and 2002 Drainage Bonds. The Board issued $14,900,000 in Series 2014 Drainage Refunding Bonds with a final maturity of December 1, 2022. The bond proceeds, less issuance costs, and investments were used to refund the outstanding principle balance of the Drainage Bonds in the amount of $16,205,000. By refunding these bonds, the Board estimated $2,968,676 in future savings related to future interest and principal payments. The Board estimated an economic gain of approximately $2,846,558. The cost of issuance of the Series 2014 Drainage Refunding Bonds totaled $263,828, and the deferred loss on refunding was $347,533.

(D) Series 2015 Bonds

During 2015, the Board issued $100,000,000 in Series 2015 Water Revenue Bonds with an original issue premium of $12,686,122 and a final maturity of December 1, 2045. In addition, the Board issued $100,000,000 in Series 2015 Sewerage Revenue Bonds with an original issue premium of $12,826,410 and a final maturity date of December 1, 2045. Proceeds from such bonds are to be used to finance capital improvements.

(6) Changes in Long-term Obligations (continued)

(E) Debt Service Assistance

In July 2006, the Board and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $77,465,247 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. Draw downs on the loan will be made as debt service payments become due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds began in July 2012, and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium.

As of December 31, 2016, debt service requirements relating to the bonds are as follows:

Years Ending December 31	Principal	Interest	Total
2017	$ 4,627,616	$ 2,655,525	$ 7,283,141
2018	4,841,852	2,440,826	7,282,678
2019	5,066,514	2,216,164	7,282,678
2020	5,301,601	1,981,077	7,282,678
2021	5,547,595	1,735,083	7,282,678
2022-2026	31,845,981	4,566,948	36,412,929
	$ 57,231,159	$ 15,595,623	$ 72,826,782

(6) Changes in Long-term Obligations (continued)

(G) Southeast Louisiana Project

In 2010, the Coastal Protection and Restoration Authority of Louisiana entered into agreements (SELA PPA and SELA DPA) with the Department of the Army for the Southeast Louisiana, Louisiana Project in Jefferson and Orleans Parishes (the Project). The purpose of the Project is to provide flood damage reduction and interior drainage for Orleans and Jefferson Parishes in southeast Louisiana. The agreements set forth the obligations of the federal government and non-federal sponsors, including the Board, regarding the construction and the operation, maintenance, repair, rehabilitation, and replacement of the Project. For the projects, the federal government is responsible for 65% of the project costs and the non-federal sponsors are responsible for the remaining 35%. Under the agreement, the Department of the Army, subject to the availability of funds appropriated by the Congress of the United States, shall design and construct specified work at 100% federal expense. The Board will be allowed to defer payment of its required non-federal contribution of funds of 35% and to pay said contribution of funds with interest over a period of not more than 30 years from the date of completion of the project or separable element of the project. The interest rate to be used in computing the interest shall be determined by the Secretary of the Treasury, taking into consideration average market yields on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the payment period during the month preceding the Government fiscal year in which the first federal construction contract for such separable element is awarded to the SELA PPA, plus a premium of one-eighth of one percentage point for transaction costs. The amount due as of December 31, 2016 and 2015 is $163,995,508 and $115,703,588, respectively.

(7) Due to City of New Orleans

The Board bills and collects sanitation charges on behalf of the City of New Orleans (the City). The Board is not liable for any uncollected sanitation charges.

Additionally, amounts included in accounts payable due to the City for works performed by the Department of Public Works on behalf of the Board, were $2,435,653 and $8,739,076 at December 31, 2016 and 2015, respectively.

(8) Property Taxes

Property taxes are levied by the City of New Orleans. Taxes on real and personal property attach as an enforceable lien on the property as of January 1. Taxes are levied on January 1, payable on January 1, and delinquent on February 1.

The assessed value of the property is determined by an elected Assessor. The assessed value for 2016 and 2015 was $3,653,953,630 and $3,345,017,798, respectively. The combined tax rate dedicated for the Board for the years ended December 31, 2016 and 2015 was $16.43 per $1,000 of assessed valuation. These dedicated funds are available for operations, maintenance, construction, and extension of the drainage system (except for subsurface systems).

(9) Commitments

(A) Capital Improvements

At December 31, 2016, the Board's budget for its ten year capital improvements program totaled $2,675,017,000 including $1,054,974,000 for water, $684,340,000 for sewerage and $935,703,000 for drainage.

Due to certain regulatory and legislative changes, additional capital improvements will probably be required. Future capital improvement program expenditures may require the issuance of additional debt depending on the amount and timing of expenditures. As of December 31, 2016, the Board has committed or appropriated $49,491,125 in investments for use in future capital projects and has $186,283,124 of cash and cash equivalents restricted for future capital projects

The capital improvements budget for 2017 is $369,236,000, including $111,252,000 for projects, which are expected to be funded by federal grants and programs. Significant projects included in property, plant and equipment in progress as of December 31, 2016 include the following:

Hurricane Katrina related Repairs and Replacements
Southeast Louisiana Flood Control Program
Sewer System Sanitation Evaluation and Rehabilitation Program
Eastbank Sewer Treatment Plant
Westbank Sewer Treatment Plant
Wetlands Assimilation Project
Hazard Mitigation Grant Program

(B) Self-insurance

The Board is self-insured for general liability, workers' compensation, and hospitalization benefits and claims. Settled claims have not exceeded excess coverage in any of the past three fiscal years. Hospitalization benefits are charged to payroll related expense.

General liability claims are segregated internally by "claims" and "suits" depending on the scope and type of claim and are handled by the Office of the Special Counsel and Administrative Services. Individual general liability losses have ranged from $100 to $7,500,000, illustrating the volatility of this exposure. The claims expense provision for 2016 and 2015 amounted to $4,417,197 and $1,006,238, respectively.

Worker's compensation expense provision for 2016 and 2015 amounted to $2,959,527 and $1,529,476, respectively.

The hospitalization self-insurance benefits are administered by HealthSmart Benefit Solutions. The Board's expense provision in excess of employee contributions for 2016 and 2015 was $22,055,034 and $15,863,624, respectively, and is included in payroll related expenses.

(9) Commitments (continued)

(B) Self-insurance (continued)

Changes in the claims payable amount are as follows (health payments are reflected net):

		2016		2015
Beginning of Year	$	13,172,580	$	12,814,193
Current Year Claims and Estimate Change		29,126,683		17,688,582
Claim Payments		(25,094,492)		(17,330,195)
End of Year	$	17,204,771	$	13,172,580

The composition of claims payable is as follows:

		2016		2015
Short-term:				
Workers' compensation	$	1,465,740	$	958,860
Health insurance		2,107,501		1,867,600
General liability		12,080,835		7,855,552
Total short-term		15,654,076		10,682,012
Long-term:				
Workers' compensation		1,550,695		2,490,568
Total long-term		1,550,695		2,490,568
Total	$	17,204,771	$	13,172,580

(9) Commitments (continued)

(C) Regulatory Matters

The Sewer System Evaluation and Rehabilitation Program (SSERP) was initially estimated to cost the Board $408.2 million by the original Consent Decree with an end date of 2015. However, the Board has negotiated, and continues to negotiate with U.S. Environmental Protection Agency (EPA), extensions beyond the original Consent Decree deadline. Consequently, the original Consent Decree has been modified to currently provide an end date of October 2019.

(9) Commitments (continued)

(C) Regulatory Matters

The Board participates in a number of federal programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2016 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Board.

(D) Post-employment Healthcare Benefits

Plan Description – The Board's post-employment benefit plan is a single-employer defined benefit plan. The Board's post-employment medical benefits for retirees are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 62 and 10 years of service; age 65 and 5 years of service; age 70 regardless of service; or, if age plus service equals at least 80. Complete plan provisions are contained in the official plan documents. Currently, the Board provides post-employment medical benefits to 584 retired employees.

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

Fund Policy - Until 2007, the Board recognized the cost of providing post-employment medical benefits (the Board's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2016 and 2015, the Board's portion of health care funding cost for retired employees totaled $6,301,229 and $6,603,088 respectively.

Effective January 1, 2007, the Board implemented Governmental Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following tables.

(9) Commitments (continued)

(D) Post-employment Healthcare Benefits (continued)

Annual Required Contribution - The Board's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

		2016		2015
Normal cost	$	4,057,594	$	4,342,774
30-year UAL amortization amount		9,449,908		9,721,952
Annual required contribution (ARC)	$	13,507,502	$	14,064,726

Net Post-employment Benefit Obligation - The table below shows the Board's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

		2016		2015
Beginning Net OPEB Obligation	$	67,579,016	$	61,208,742
Annual required contribution		13,507,502		14,046,726
Interest on net OPEB obligation		2,703,161		2,448,350
ARC adjustment		(3,908,109)		(3,521,714)
OPEB cost		12,302,554		12,973,362
Contribution		-		-
Current year retiree premium		(6,301,229)		(6,603,088)
Change in net OPEB obligation		6,001,325		6,370,274
Ending net OPEB obligation	$	73,580,341	$	67,579,016

The following table shows the Board's annual other post-employment benefits cost, percentage of the cost contributed, and the net unfunded post-employment benefits liability:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2016	$ 12,302,554	51.22%	$73,580,341
December 31, 2015	$ 12,973,362	50.90%	$ 67,579,016
December 31, 2014	$ 13,398,088	52.75%	$ 61,208,745

Funded Status and Funding Progress - In 2016 and 2015, the Board made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2016 actuarial valuation, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2016 was $163,407,162 which is defined as that portion, as determined by a particular actuarial cost method (the Board uses the Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

(9) Commitments (continued)

(D) Post-employment Healthcare Benefits (continued)

The required schedule of funding progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additional information for the actuarial valuation is as follows:

		2016		2015
Actuarial Accrued Liability (AAL)	$	163,407,162	$	168,111,644
Actuarial Value of Plan Assets (AVP)		-		-
Unfunded Act. Accrued Liability (UAAL)	$	163,407,162	$	168,111,644
Funded Ratio (AVP/AAL)		0.00%		0.00%
Covered Payroll (active plan members)	$	37,607,035	$	37,973,934
UAAL as a percentage of covered payroll		434.51%		442.70%

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate, (2) retirement rate, (3) health care cost trend rate, (4) mortality rate, (5) discount rate (investment return assumption), and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Board and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Board and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Board and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method - The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets – Since the OPEB obligation has not as yet been funded, there are not any plan assets. It is anticipated that in future valuations, should funding take place, plan assets will be valued using a smoothed market value method consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

(9) Commitments (continued)

(D) Post-employment Healthcare Benefits (continued)

Turnover Rate - An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 8%. In addition to age related turnover, it has additionally been assumed that 10% of future eligible retirees will decline coverage upon retirement.

Post-employment Benefit Plan Eligibility Requirements - It is assumed that entitlement to benefits will commence five years after earliest eligibility for retirement (D.R.O.P. entry). The five years is to accommodate the anticipated period of the D.R.O.P. Also, if the initial eligibility for D.R.O.P. entry is prior to age 55, an additional one year delay has been assumed, and it has been assumed that members eligible for the "Rule of 80" retirement formula delay three years beyond that earliest retirement date. Medical benefits are provided to employees upon actual retirement. The retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 62 and 10 years of service; age 65 and five years of service; age 70 regardless of service; or, if age plus service equals at least 80. Entitlement to benefits continues through Medicare to death.

Investment Return Assumption (Discount Rate) - GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

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

Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining the Value of Benefits - The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The current premium schedules for active and retired are "unblended" rates, as required by GASB 45.

Inflation Rate – Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases – This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

(9) Commitments (continued)

(D) Post-employment Healthcare Benefits (continued)

Post-retirement Benefit Increases – The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

(10) Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property, and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the employees, therefore the assets of the plan are not included in these financial statements.

(11) Budgets

Operating and capital expenditure budgets are adopted by the Board on a basis consistent with accounting principles generally accepted in the United States. While not legally required, this budgetary information is employed as a management control device during the year. Comparison between actual and budgeted expenses is not a required presentation for an Enterprise Fund.

(12) Tax Abatement Agreement

The local government is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Restoration Tax Abatement Program ("RTAP"). For the year ending December 31, 2016, the government participated in the Restoration Tax Abatement Program.

Under the RTAP, as authorized by Article 7, Section 21(H) of the Louisiana Constitution and Louisiana Revised Statutes 47:4311, companies that expand, restore, improve or develop an existing structure or structures in a downtown, historic, or economic development district can apply to the State Board and the local governing authority for a property tax exemption. The exemptions are granted for a 5 year term and are renewable for an additional 5 year term upon the approval of the State Board and the local governing authority. The property tax abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement.

During 2016, the City Council of the City of New Orleans approved tax abatement projects with a total investment value of $8,999,940 of which $928,071 was for the Board.

(13) Segment Information

The Board issued revenue bonds to finance its water and sewerage departments which operate the Board's water and sewerage treatment plants and distribution and collection systems. These bonds are accounted for in a single fund; however, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

Summary financial information for these departments as of and for the years ended December 31 is as follows:

Condensed Statements of Net Position

	Water		Sewer	
	2016	2015	2016	2015
	(amounts in thousands)			
Assets:				
Current unrestricted assets	$ 62,996	$ 62,809	$ 114,193	$ 80,654
Restricted assets	119,807	140,980	92,317	137,611
Other assets	11,796	11,202	18	18
Property, plant and equipment	470,490	430,525	980,279	948,550
Total assets	665,089	645,516	1,186,807	1,166,833
Deferred outflows of resources:	5,659	6,388	8,977	9,997
Total assets and deferred outflows	$ 670,748	$ 651,904	$ 1,195,784	$ 1,176,830
Liabilities:				
Current	$ 39,251	$ 40,229	$ 37,669	$ 32,053
Current liabilities payable from restricted assets	3,247	1,096	15,675	15,109
Noncurrent liabilities	290,341	290,812	349,540	365,573
Total liabilities	332,839	332,137	402,884	412,735
Deferred inflows of resources:	799	975	799	975
Net position:				
Net investment in capital assets	350,742	207,049	775,028	667,599
Restricted	119,087	140,372	91,619	136,985
Unrestricted	(132,719)	(28,629)	(74,546)	(41,464)
Total net position	337,110	318,792	792,101	763,120
Total liabilities, deferred inflows, and net position	$ 670,748	$ 651,904	$ 1,195,784	$ 1,176,830

(13) Segment Information (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Water		Sewer	
	2016	2015	2016	2015
	(amounts in thousands)			
Service charges, pledged against bonds	$ 85,986	$ 81,729	$ 105,620	$ 96,503
Depreciation expense	(10,178)	(10,415)	(20,862)	(20,813)
Other operating expenses	(79,300)	(74,438)	(61,504)	(53,468)
Operating income (loss)	(3,492)	(3,124)	23,254	22,222
Nonoperating revenues (expenses):				
Investment earnings	2,105	967	2,309	1,342
Bond issuance costs	-	(403)	-	(1,107)
Other	275	261	312	322
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	2,380	825	2,621	557
Capital contributions	19,430	16,516	3,106	20,904
Change in net position	18,318	14,217	28,981	43,683
Beginning net position	318,792	304,575	763,120	719,437
Ending net position	$ 337,110	$ 318,792	$ 792,101	$ 763,120

Condensed Statements of Cash Flows

	Water		Sewer	
	2016	2015	2016	2015
	(amounts in thousands)			
Net cash provided by (used in):				
Operating activities	$ 19,009	$ 1,214	$ 38,310	$ 55,695
Noncapital financing activities	276	261	313	323
Capital and related financing activities	(44,284)	75,535	(64,358)	45,495
Investing activities	2,957	1,394	2,757	(2,043)
Net increase	(22,042)	78,404	(22,978)	99,470
Cash and cash equivalents:				
Beginning of year	174,375	95,971	177,805	78,335
End of year	$ 152,333	$ 174,375	$ 154,827	$ 177,805

(14) Natural Disaster

During the years ended, December 31, 2016 and 2015, the Board has cumulatively received approximately $361.1 million and $349.9 million, respectively, of cash reimbursements from the Federal Emergency Management Agency (FEMA). Included in accounts receivable as of December 31, 2016 and 2015 are $11,098,232 and $19,654,795, respectively, of reimbursements due from FEMA under the Disaster Grants program. Eligible FEMA grants totaling in excess of $803.8 million are in various stages of the approval process and include amounts for system repairs, building repairs, vehicle and equipment repairs, and replacements, temporary power, supplies and other costs.

On June 29, 2007, the Board entered into a Cooperative Endeavor Agreement with the State of Louisiana, City of New Orleans, Louisiana, and the Louisiana Public Facilities Authority (LPFA). The LPFA agreed to issue its bonds to provide the cash capital investment to pay for capital improvements of the City of New Orleans and the Board. The establishment of the construction fund permits the Board and City of New Orleans to publicly bid contracts that are subject to a Project Worksheet that has been obligated by FEMA or for which an award letter has been received and encumber such amounts. The State of Louisiana, City of New Orleans, and Sewerage and Water Board agree that as FEMA pays any reimbursement amounts related to projects for which disbursements have been made, or the City or the Sewerage and Water Board receives monies related to the hazard mitigation grant program for which disbursements have been made from the construction fund; the full amount of such projects shall be deposited in the construction fund and used to fund additional projects until all City of New Orleans and Sewerage and Water Board improvements are completed. The total amount made available to the Board under the agreement was $100,000,000. The agreement also permits disbursements from the construction fund for projects with a Project Worksheet that have not been obligated by FEMA, and as a result, will not be reimbursed by FEMA. The Board is not required to reimburse the construction fund for these unobligated projects. At December 31, 2016 and 2015, the Board had an outstanding obligation under the agreement of $11,098,232 and $14,094,172 included as a liability in due to other governments on the statements of net position, which represent amounts not yet reimbursed by FEMA for obligated projects and deposited back into the construction fund.

(15) Change in Accounting Principles

The Board has implemented GASB Statement No. 72, Fair Value Measurement and Application, in 2016. This Statement required investments to be measured at fair value at Note 2(A).

(16) New Pronouncements

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which establishes improved financial reporting primarily through enhanced note disclosures and schedules of required supplementary information for OPEB plans. The new information will enhance the decision-usefulness of the financial reports for OPEB plans, the value for assessing accountability, and their transparency by providing information about measure of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The Board will implement GASB 74 on the financial statements for the year ended December 31, 2017.

(17) Subsequent Event

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2017, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
Required Supplementary Information Under GASB Statement No. 67, 68, and 71
For the years ended December 31, 2016 and 2015

SCHEDULE OF NET PENSION LIABILITY

Actuarial Valuation Date December 31	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll (millions)	Net Pension Liability as a Percentage of Payroll
2016	$ 305,105,919	$ 224,356,261	$ 80,749,658	73.53%	$ 35,363,156	228.34%
2015	299,395,091	222,427,527	76,967,564	74.29%	33,672,902	228.57%
2014	296,244,723	236,556,671	59,688,052	79.85%	31,378,001	190.22%
2013	290,919,481	234,358,565	56,560,916	80.56%	29,706,715	190.40%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll Contribution	Contributions as a % of Covered Payroll
2016	$ 11,024,398	$ 6,407,201	$ 4,617,197	$ 35,363,156	18.12%
2015	10,799,993	6,506,652	4,293,341	33,672,902	19.32%
2014	11,171,823	6,055,890	5,115,933	31,378,001	19.30%
2013	11,086,546	5,946,614	5,139,932	29,706,715	20.02%
2012	9,127,658	6,287,658	2,840,000	29,074,529	21.63%
2011	9,815,606	5,564,936	4,250,670	29,774,937	18.69%
2010	8,358,739	5,140,096	3,218,643	29,670,378	17.32%
2009	7,591,495	5,188,175	2,403,320	39,947,906	12.99%
2008	7,146,527	5,104,789	2,041,738	29,466,571	17.32%
2007	4,598,587	4,169,892	428,695	26,544,603	15.71%

Note to schedule: *Method and assumptions used in calculations of actuarially determined contributions*. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of December 31, 2016 and 2015. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	7-year weighted market average
Inflation	2.0% for the years ended December 31, 2016 and 2015
Salary increases	5.0%, average, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

SCHEDULE OF INVESTMENT RETURNS

Year Ended	Net Money-Weighted Rate of Return
2016	5.79%
2015	-1.79%
2014	4.94%

(Continued)

SEWERAGE AND WATER BOARD OF NEW ORLEANS
Required Supplementary Information Under GASB Statement No. 67, 68, and 71
For the years ended December 31, 2016 and 2015
(continued)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	2016	2015	2014
Total Pension Liability			
Service cost	$ 3,030,912	$ 2,788,621	$ 3,417,599
Interest on total pension liability	20,957,657	20,737,131	20,364,364
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	834,712	(1,978,038)	(1,721,210)
Effect of assumption changes or inputs	-	-	-
Benefit payments	(19,112,455)	(18,397,344)	(16,735,511)
Net change in total pension liability	5,710,826	3,150,370	5,325,242
Total pension liability, beginning	299,395,093	296,244,723	290,919,481
Total pension liability, ending (a)	305,105,919	299,395,093	296,244,723
Plan Fiduciary Net Position			
Employer contributions	6,407,201	6,506,652	6,055,890
Employee contributions	2,063,122	1,847,259	1,535,723
Investment income net of investment expenses	12,570,866	(4,085,711)	11,342,004
Benefit payments	(19,112,455)	(18,397,344)	(16,735,511)
Administrative expenses	-	-	-
Net change in plan fiduciary net position	1,928,734	(14,129,144)	2,198,106
Plan fiduciary net position, beginning	222,427,527	236,556,671	234,358,565
Plan fiduciary net position, ending (b)	$ 224,356,261	$ 222,427,527	$ 236,556,671
Board's net pension liability, ending = (a) - (b)	$ 80,749,658	$ 76,967,566	$ 59,688,052
Plan fiduciary net position as a % of total pension liability	73.53%	74.29%	79.85%
Covered payroll	$ 35,363,156	$ 33,672,902	$ 31,378,001
Board's net pension liability as a % of covered payroll	228.34%	228.57%	190.22%

Notes to Schedules: The schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Factors that significantly affect trends in amounts reported. For the periods presented, there were no changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or changes of assumptions which significantly affect trends in the amounts reported.

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
Required Supplementary Information Under GASB Statement No. 45
SCHEDULE OF FUNDING PROGRESS
Last Eight Years

Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Funded Ratio	Covered Payroll (millions)	Unfunded AAL as a Percentage of payroll
2016	$ -	$ 163,407,162	$ 163,407,162	0.00%	37.61	434.48%
2015	-	168,111,644	168,111,644	0.00%	33.67	499.29%
2014	-	174,861,486	174,861,486	0.00%	36.10	484.38%
2013	-	172,246,761	172,246,761	0.00%	35.44	486.02%
2012	-	176,321,034	176,321,034	0.00%	35.11	502.25%
2011	-	178,681,549	178,681,549	0.00%	35.08	509.33%
2010	-	178,904,131	178,904,131	0.00%	34.74	514.92%
2009	-	184,174,734	184,174,734	0.00%	33.88	543.56%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
2016	$ 13,507,502	$ 6,301,229	46.65%
2015	14,064,726	6,603,088	46.95%
2014	14,474,798	7,067,777	48.83%
2013	14,206,678	6,643,309	46.76%
2012	14,430,043	6,070,360	42.07%
2011	14,659,445	6,057,637	41.32%
2010	14,759,470	5,728,065	38.81%
2009	15,046,112	5,487,971	36.47%

See accompanying notes to financial statements.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF NET POSITION BY DEPARTMENT
ENTERPRISE FUND
As of December 31, 2016 and 2015

	Water System		Sewerage System		Drainage System		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
ASSETS AND DEFERED OUTFLOWS OF RESOURCES								
Current assets:								
Unrestricted and undesignated								
Cash and cash equivalents	$ 17,576,424	$ 6,369,024	$ 21,897,392	$ 7,701,581	$ 4,121,692	$ 10,619,098	$ 43,595,508	$ 24,689,703
Accounts receivable:								
Customers, net of allowance	12,670,929	9,910,432	13,723,965	8,457,158	-	-	26,394,894	18,367,590
Taxes	-	-	-	-	9,863,262	8,044,268	9,863,262	8,044,268
Grants	30,922,836	22,243,714	24,082,550	25,006,062	8,573,100	5,558,652	63,578,486	52,808,428
Miscellaneous	460,706	1,189,192	238,704	1,024,643	1,004,167	1,202,160	1,703,577	3,415,995
Due from (to) other internal departments	(11,228,350)	(2,761,777)	12,284,673	4,257,844	(1,056,323)	(1,496,067)	-	-
Inventory of supplies	3,196,552	3,536,187	1,065,180	1,173,098	494,463	594,460	4,756,195	5,303,745
Prepaid expenses	386,282	640,067	231,700	485,485	(172)	253,613	617,810	1,379,165
Total unrestricted and undesignated	53,985,379	41,126,839	73,524,164	48,105,871	23,000,189	24,776,184	150,509,732	114,008,894
Designated cash, cash equivalents, and investments								
Cash and cash equivalents designated for capital projects	7,387,079	19,951,071	39,518,505	31,329,687	18,672,564	17,645,578	65,578,148	68,926,336
Other	1,623,874	1,731,555	1,150,704	1,218,569	1,117,652	1,170,614	3,892,230	4,120,738
Total designated cash, cash equivalents, and investmer	9,010,953	21,682,626	40,669,209	32,548,256	19,790,216	18,816,192	69,470,378	73,047,074
Total current assets	62,996,332	62,809,465	114,193,373	80,654,127	42,790,405	43,592,376	219,980,110	187,055,968
Noncurrent assets:								
Restricted cash, cash equivalents, and investments								
Cash and cash equivalents restricted for capital projects	102,336,574	124,024,155	61,225,105	107,234,413	6,874,422	4,461,677	170,436,101	235,720,245
Health insurance reserve	719,890	607,786	697,842	626,442	689,769	633,273	2,107,501	1,867,501
Debt service reserve	16,750,155	16,347,779	30,393,522	29,750,047	74,304	101,833	47,217,981	46,199,659
Total restricted cash, cash equivalents, and investment	119,806,619	140,979,720	92,316,469	137,610,902	7,638,495	5,196,783	219,761,583	283,787,405
Property, plant and equipment	808,301,167	760,684,249	1,244,624,751	1,193,915,014	1,616,309,899	1,449,258,384	3,669,235,817	3,403,857,647
Less: accumulated depreciation	337,811,191	330,158,757	264,345,441	245,365,176	322,387,525	301,452,509	924,544,157	876,976,442
Property, plant, and equipment, net	470,489,976	430,525,492	980,279,310	948,549,838	1,293,922,374	1,147,805,875	2,744,691,660	2,526,881,205
Other assets								
Designated cash for customer deposits	11,773,473	11,178,704	-	-	-	-	11,773,473	11,178,704
Deposits	22,950	22,950	17,965	17,965	10,400	10,400	51,315	51,315
Total other assets	11,796,423	11,201,654	17,965	17,965	10,400	10,400	11,824,788	11,230,019
Total noncurrent assets	602,093,018	582,706,866	1,072,613,744	1,086,178,705	1,301,571,269	1,153,013,058	2,976,278,031	2,821,898,629
Total assets	665,089,350	645,516,331	1,186,807,117	1,166,832,832	1,344,361,674	1,196,605,434	3,196,258,141	3,008,954,597
Deferred outflows of resources:								
Deferred amounts related to net pension liability	5,634,846	6,360,010	5,634,846	6,360,010	5,634,846	6,360,010	16,904,538	19,080,030
Deferred loss on bond refunding	23,973	28,356	3,342,312	3,636,958	236,032	289,555	3,602,317	3,954,869
Total deferred outflows of resources	5,658,819	6,388,366	8,977,158	9,996,968	5,870,878	6,649,565	20,506,855	23,034,899
Total assets and deferred outflows of resources	$ 670,748,169	$ 651,904,697	$ 1,195,784,275	$ 1,176,829,800	$ 1,350,232,552	$ 1,203,254,999	$ 3,216,764,996	$ 3,031,989,496

(Continued)

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF NET POSITION BY DEPARTMENT, CONTINUED
ENTERPRISE FUND
As of December 31, 2016 and 2015

	Water System		Sewerage System		Drainage System		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION								
Current liabilities (payable from current assets):								
Accounts payable	$ 13,500,638	$ 14,521,423	$ 15,978,725	$ 17,519,962	$ 10,539,722	$ 6,897,639	$ 40,019,085	$ 38,939,024
Due to City of New Orleans	394,882	154,760	-	-	-	-	394,882	154,760
Disaster Reimbursement Revolving Loan	5,732,171	6,984,993	4,644,925	127,225	721,136	6,981,954	11,098,232	14,094,172
Retainers and estimates payable	4,793,969	3,927,628	3,139,698	2,880,349	1,659,744	1,512,276	9,593,411	8,320,253
Due to other fund	73,244	64,777	34,309	30,335	42,659	37,820	150,212	132,932
Accrued salaries	453,745	332,322	175,077	90,115	212,039	148,760	840,861	571,197
Accrued vacation and sick pay	4,506,100	4,389,813	3,059,661	2,938,579	2,256,734	2,172,435	9,822,495	9,500,827
Claims payable	4,919,939	3,793,255	4,680,411	2,644,607	6,053,726	4,244,150	15,654,076	10,682,012
Debt Service Assistance Fund loan payable	406,727	388,691	3,961,768	3,786,093	259,121	247,630	4,627,616	4,422,414
Advances from federal government	4,393,604	5,585,228	1,976,305	1,976,305	-	-	6,369,909	7,561,533
Other liabilities	75,533	85,858	18,367	59,824	12,488	8,109	106,388	153,791
Total Current liabilities (payable from current assets):	39,250,552	40,228,748	37,669,246	32,053,394	21,757,369	22,250,773	98,677,167	94,532,915
Current liabilities (payable from restricted assets):								
Accrued interest	536,974	743,300	1,603,135	1,918,832	95,989	106,696	2,236,098	2,768,828
Bonds payable	2,540,000	325,000	13,397,000	12,852,000	1,690,000	1,650,000	17,627,000	14,827,000
Retainers and estimates payable	170,109	27,830	675,299	337,912	-	-	845,408	365,742
Total current liabilities (payable from restricted assets):	3,247,083	1,096,130	15,675,434	15,108,744	1,785,989	1,756,696	20,708,506	17,961,570
Total current liabilities	42,497,635	41,324,878	53,344,680	47,162,138	23,543,358	24,007,469	119,385,673	112,494,485
Long-term liabilities:								
Claims payable	516,898	830,189	516,898	830,189	516,899	830,190	1,550,695	2,490,568
Net pension liability	26,916,553	25,655,855	26,916,553	25,655,855	26,916,552	25,655,854	80,749,658	76,967,564
Other postretirement benefits liability	26,967,946	24,967,504	23,989,599	21,989,157	22,622,796	20,622,355	73,580,341	67,579,016
Bonds payable, net of current maturities	219,544,431	223,151,314	253,079,459	268,098,647	9,684,268	11,481,672	482,308,158	502,731,633
Southeast Louisiana Project liability	-	-	-	-	163,995,508	115,703,588	163,995,508	115,703,588
Debt Service Assistance Fund loan payable, net of current maturities	4,622,185	5,028,912	45,037,439	48,999,207	2,943,485	3,202,606	52,603,109	57,230,725
Customer deposits	11,773,473	11,178,704	-	-	-	-	11,773,473	11,178,704
Total long-term liabilites	290,341,486	290,812,478	349,539,948	365,573,055	226,679,508	177,496,265	866,560,942	833,881,798
Total liabilities	332,839,121	332,137,356	402,884,628	412,735,193	250,222,866	201,503,734	985,946,615	946,376,283
Deferred inflows of resources:								
Deferred amounts related to net pension liability	798,811	974,966	798,811	974,966	798,811	974,966	2,396,433	2,924,898
Total deferred inflows of resources	798,811	974,966	798,811	974,966	798,811	974,966	2,396,433	2,924,898
Net position:								
Net investment in capital assets	350,742,119	207,049,178	775,027,956	667,599,191	1,289,422,528	1,134,674,203	2,415,192,603	2,009,322,572
Restricted for debt service	16,750,155	16,347,779	30,393,522	29,750,047	74,304	101,833	47,217,981	46,199,659
Restricted for capital improvements	102,336,574	124,024,155	61,225,105	107,234,413	6,874,422	4,461,677	170,436,101	235,720,245
Unrestricted	(132,718,611)	(28,628,737)	(74,545,747)	(41,464,010)	(197,160,379)	(138,461,414)	(404,424,737)	(208,554,161)
Total net position	337,110,237	318,792,375	792,100,836	763,119,641	1,099,210,875	1,000,776,299	2,228,421,948	2,082,688,315
Total liabilities, deferred inflows of resources, and net position	$ 670,748,169	$ 651,904,697	$ 1,195,784,275	$ 1,176,829,800	$ 1,350,232,552	$ 1,203,254,999	$ 3,216,764,996	$ 3,031,989,496

See accompanying independent auditors' report.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DEPARTMENT
ENTERPRISE FUND
For the years ended December 31, 2016 and 2015

	Water System 2016	Water System 2015	Sewerage System 2016	Sewerage System 2015	Drainage System 2016	Drainage System 2015	Total 2016	Total 2015
Operating revenues:								
Sales of water and delinquent fees	$ 83,158,940	$ 78,007,937	$ -	$ -	$ -	$ -	$ 83,158,940	$ 78,007,937
Sewerage service charges	-	-	104,795,184	95,636,966	-	-	104,795,184	95,636,966
Plumbing inspection and license fees	319,991	305,384	318,511	305,384	-	-	638,502	610,768
Other revenues	2,506,704	3,416,155	505,847	560,157	1,065,829	4,313,845	4,078,380	8,290,157
Total operating revenues	85,985,635	81,729,476	105,619,542	96,502,507	1,065,829	4,313,845	192,671,006	182,545,828
Operating Expenses:								
Power and pumping	2,823,007	2,987,349	3,033,447	2,773,821	7,642,762	7,378,085	13,499,216	13,139,255
Treatment	7,450,742	7,866,310	12,739,603	10,765,096	109,999	109,231	20,300,344	18,740,637
Transmission and distribution	21,581,831	20,459,955	14,763,699	14,339,390	829,176	1,078,792	37,174,706	35,878,137
Customer accounts	2,071,364	1,900,893	2,071,360	1,900,889	8,303	5,623	4,151,027	3,807,405
Customer service	2,064,751	1,915,020	2,082,863	1,933,616	123,941	124,708	4,271,555	3,973,344
Administration and general	6,481,119	5,525,583	6,055,452	5,566,052	5,969,536	5,756,618	18,506,107	16,848,253
Payroll related	18,842,941	15,465,794	13,998,733	11,673,366	11,149,205	9,210,674	43,990,879	36,349,834
Maintenance of general plant	14,379,697	16,177,610	2,722,422	2,983,385	6,877,190	7,987,510	23,979,309	27,148,505
Depreciation	10,177,757	10,414,611	20,861,655	20,813,183	21,021,262	20,433,857	52,060,674	51,661,651
Provision for doubtful accounts	1,757,867	1,327,189	1,655,537	1,138,942	-	-	3,413,404	2,466,131
Provision for claims	1,847,021	813,979	2,380,775	392,928	2,223,009	1,228,302	6,450,805	2,435,209
Total operating expenses	89,478,097	84,854,293	82,365,546	74,280,668	55,954,383	53,313,400	227,798,026	212,448,361
Operating income (loss)	(3,492,462)	(3,124,817)	23,253,996	22,221,839	(54,888,554)	(48,999,555)	(35,127,020)	(29,902,533)
Non-operating revenues (expenses):								
Three-mill tax	-	-	-	-	16,043,825	14,139,193	16,043,825	14,139,193
Six-mill tax	-	-	-	-	16,215,799	14,290,667	16,215,799	14,290,667
Nine-mill tax	-	-	-	-	23,762,398	21,421,102	23,762,398	21,421,102
Two-mill tax	-	-	-	-	7,526	4,960	7,526	4,960
Other taxes	251,002	258,721	313,048	322,674	-	-	564,050	581,395
Federal noncapital grants	24,738	2,405	-	-	-	-	24,738	2,405
Interest income	2,104,903	966,949	2,308,629	1,341,518	253,938	202,579	4,667,470	2,511,046
Bond issuance costs	-	(403,255)	-	(1,107,402)	-	-	-	(1,510,657)
Interest expense	-	-	-	-	(32,471)	(53,518)	(32,471)	(53,518)
Total non-operating revenues (expenses)	2,380,643	824,820	2,621,677	556,790	56,251,015	50,004,983	61,253,335	51,386,593
Income (expenses) before capital contributions	(1,111,819)	(2,299,997)	25,875,673	22,778,629	1,362,461	1,005,428	26,126,315	21,484,060
Capital contributions	19,429,681	16,516,493	3,105,522	20,904,074	97,072,115	94,478,639	119,607,318	131,899,206
Change in net position	18,317,862	14,216,496	28,981,195	43,682,703	98,434,576	95,484,067	145,733,633	153,383,266
Net position, beginning of year	318,792,375	304,575,879	763,119,641	719,436,938	1,000,776,299	905,292,232	2,082,688,315	1,929,305,049
Net position, end of year	$ 337,110,237	$ 318,792,375	$ 792,100,836	$ 763,119,641	$ 1,099,210,875	$ 1,000,776,299	$ 2,228,421,948	$ 2,082,688,315

See accompanying independent auditors' report.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT BY DEPARTMENT
As of December 31, 2016 and 2015

	2016			
	Water	Sewer	Drainage	Total
Real estate rights, non depreciable	$ 2,899,839	$ 1,925,647	$ 8,721,791	$ 13,547,277
Power and pumping stations - buildings	65,815,156	46,788,994	266,828,264	379,432,414
Power and pumping stations - machinery	142,047,245	52,404,350	128,197,839	322,649,434
Distribution systems	270,088,600	-	-	270,088,600
Sewerage collection	-	519,874,279	-	519,874,279
Canals and subsurface drainage	-	-	705,506,297	705,506,297
Treatment plants	-	200,711,986	-	200,711,986
Connections and meters	69,626,596	30,617,082	-	100,243,678
Power transmission	10,727,059	7,535,716	13,555,173	31,817,948
General plant and buildings	125,970,634	85,904,931	72,719,901	284,595,466
Total property, plant and equipment in service	687,175,129	945,762,985	1,195,529,265	2,828,467,379
Construction in progress	121,126,038	298,861,766	420,780,634	840,768,438
Total property, plant and equipment	808,301,167	1,244,624,751	1,616,309,899	3,669,235,817
Accumulated depreciation	337,811,191	264,345,441	322,387,525	924,544,157
Net property, plant and eqiupment	$ 470,489,976	$ 980,279,310	$ 1,293,922,374	$ 2,744,691,660

	2015			
	Water	Sewer	Drainage	Total
Real estate rights, non depreciable	$ 2,898,138	$ 1,929,243	$ 9,103,579	$ 13,930,960
Power and pumping stations - buildings	65,474,986	46,564,112	266,714,819	378,753,917
Power and pumping stations - machinery	139,873,285	50,862,868	126,582,551	317,318,704
Distribution systems	252,342,832	-	-	252,342,832
Sewerage collection	-	490,556,101	-	490,556,101
Canals and subsurface drainage	-	-	622,989,487	622,989,487
Treatment plants	-	200,451,465	-	200,451,465
Connections and meters	68,828,724	29,659,750	-	98,488,474
Power transmission	10,659,920	7,367,634	13,382,161	31,409,715
General plant and buildings	125,276,954	85,567,502	71,702,471	282,546,927
Total property, plant and equipment in service	665,354,839	912,958,675	1,110,475,068	2,688,788,582
Construction in progress	95,329,410	280,956,339	338,783,316	715,069,065
Total property, plant and equipment	760,684,249	1,193,915,014	1,449,258,384	3,403,857,647
Accumulated depreciation	330,158,757	245,365,176	301,452,509	876,976,442
Net property, plant and eqiupment	$ 430,525,492	$ 948,549,838	$ 1,147,805,875	$ 2,526,881,205

See accompanying independent auditors' report.

Schedule 4

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF BONDS PAYABLE
For the year ended December 31, 2016

	Annual Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Outstanding as of 12/31/2015	New Debt in 2016	Payments in 2016	Outstanding as of 12/31/2016
Drainage System Bonds, 2014 (9-Mills)	4.53%	(6/1;12/1)	12/1/2014	6/1/2022	$ 12,750,000	$ -	$ 1,650,000	$ 11,100,000
					12,750,000	-	1,650,000	11,100,000
Sewer Revenue Bonds, 2011	0.95%	(5/1; 11/1)	12/1/2011	12/1/1932	7,755,000	-	422,000	7,333,000
Sewer Revenue Bonds, 2014	4.87%	(6/1;12/1)	12/1/2014	6/1/1944	147,765,000	-	12,430,000	135,335,000
Sewer Revenue Bonds, 2015	5.00%	(6/1;12/1)	12/17/2015	12/1/1945	100,000,000	-	-	100,000,000
					255,520,000	-	12,852,000	242,668,000
Water Revenue Bonds, 2014	5.00%	(6/1;12/1)	12/1/2014	6/1/1944	103,525,000	-	325,000	103,200,000
Water Revenue Bonds, 2015	4.98%	(6/1;12/1)	12/17/2015	2/1/2030	100,000,000	-	-	100,000,000
					203,525,000	-	325,000	203,200,000
TOTAL					$ 471,795,000	$ -	$ 14,827,000	$ 456,968,000

See accompanying independent auditors' report.

Schedule 5

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
DEBT SERVICE AND DEBT SERVICE RESERVE
REQUIRED BY BOND RESOLUTION
For the year ended December 31, 2016

	Debt Service Account				Debt Service Reserve Accounts		
	Water Revenue Bonds	Sewer Revenue Bonds	Drainage Revenue Bonds	Total	Water Revenue Bonds	Sewer Revenue Bonds	Total
Cash and investments at beginning of year	$ 8,647,779	$ 19,042,265	$ 101,833	$ 27,791,877	$ 7,700,000	$ 10,707,782	$ 18,407,782
Cash receipts:							
Bond proceeds and accrued interest	-	2,275	-	2,275	-	-	-
Transfers from operating cash and debt service reserve	11,457,106	31,758,418	2,397,075	45,612,599	-	-	-
Excess debt service reserve fund applied to BANS 2006 Maturity	125,005	201,748	-	326,753	-	-	-
Total cash and investments	11,582,111	31,962,441	2,397,075	45,941,627	-	-	-
Cash disbursements:							
Principal and interest payments, cost of issuance and transfers	11,179,735	31,318,966	2,424,604	44,923,305	-		-
Total cash disbursements	11,179,735	31,318,966	2,424,604	44,923,305	-	-	-
Cash and investments at end of year	$ 9,050,155	$ 19,685,740	$ 74,304	$ 28,810,199	$ 7,700,000	$ 10,707,782	$ 18,407,782

See accompanying independent auditors' report.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
CHANGES IN SELF-INSURANCE LIABILITIES BY DEPARTMENT
For the year ended December 31, 2016

	Beginning of Year	Current Year Claims and Estimate Change	Payments	End of Year
WATER				
Short-term:				
Workers' compensation	$ 319,620	$ 1,627,883	$ 1,458,923	$ 488,580
Health insurance	607,785	10,141,626	10,029,521	719,890
General liability	2,865,850	845,719	100	3,711,469
Total short-term	3,793,255	12,615,228	11,488,544	4,919,939
Long-term:				
Workers' compensation	830,189	(313,291)	-	516,898
Total long-term	830,189	(313,291)	-	516,898
Total	$ 4,623,444	$ 12,301,937	$ 11,488,544	$ 5,436,837
SEWERAGE				
Short-term:				
Workers' compensation	$ 319,620	$ 1,211,912	$ 1,042,952	$ 488,580
Health insurance	626,442	6,703,658	6,632,258	697,842
General liability	1,698,545	1,795,444	-	3,493,989
Total short-term	2,644,607	9,711,014	7,675,210	4,680,411
Long-term:				
Workers' compensation	830,189	(313,291)	-	516,898
Total long-term	830,189	(313,291)	-	516,898
Total	$ 3,474,796	$ 9,397,723	$ 7,675,210	$ 5,197,309
DRAINAGE				
Short-term:				
Workers' compensation	$ 319,620	$ 1,059,606	$ 890,646	$ 488,580
Health insurance	633,373	4,904,676	4,848,280	689,769
General liability	3,291,157	1,776,032	191,812	4,875,377
Total short-term	4,244,150	7,740,314	5,930,738	6,053,726
Long-term:				
Workers' compensation	830,190	(313,291)	-	516,899
Total long-term	830,190	(313,291)	-	516,899
Total	$ 5,074,340	$ 7,427,023	$ 5,930,738	$ 6,570,625
TOTAL				
Short-term:				
Workers' compensation	$ 958,860	$ 3,899,401	$ 3,392,521	$ 1,465,740
Health insurance	1,867,600	21,749,960	21,510,059	2,107,501
General liability	7,855,552	4,417,195	191,912	12,080,835
Total short-term	10,682,012	30,066,556	25,094,492	15,654,076
Long-term:				
Workers' compensation	2,490,568	(939,873)	-	1,550,695
Total long-term	2,490,568	(939,873)	-	1,550,695
Total	$ 13,172,580	$ 29,126,683	$ 25,094,492	$ 17,204,771

See accompanying independent auditors' report.

Schedule 7

SEWERAGE AND WATER BOARD OF NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE EXECUTIVE DIRECTOR
For the year ended December 31, 2016

Cedric S. Grant, Executive Director

Purpose		Amount
Salary	$	220,631
Benefits-hospitalization		11,432
Benefits-life insurance		201
Benefits-retirement		44,737
Reimbursements		92
Conference travel		4,439
Total	$	281,532

See accompanying independent auditors' report.

SEWERAGE AND WATER BOARD OF NEW ORLEANS

SINGLE AUDIT REPORTS

DECEMBER 31, 2016

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SEWERAGE AND WATER BOARD OF NEW ORLEANS

SINGLE AUDIT REPORTS

DECEMBER 31, 2016

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Single Audit Reports

December 31, 2016

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INDEPENDENT AUDITORS' 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 Members of the Board
Sewerage and Water Board of New Orleans:

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 Sewerage and Water Board of New Orleans (the "Board"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, indexed as 2016-001, to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs, indexed as 2016-002 and 2016-03, to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003.

The Board's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board'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.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Members of the Board
Sewerage and Water Board of New Orleans:

Report on Compliance for Each Major Federal Program

We have audited the Sewerage and Water Board of New Orleans' (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended December 31, 2016. The Board's major federal program is 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs 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 for Federal Awards* (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 Board'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 each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Board'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 internal control over compliance was for the limited purpose described in the first paragraph of 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 weaknesses. However, material weaknesses may exist that have not been identified.

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

Postlethwaite & Netterville

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Board as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated June 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

December 31, 2016

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Pass-Through Identifying Number	Loan Balance at December 31, 2015	Federal Expenditures in 2016	Loan Balance at December 31, 2016
U.S. Environmental Protection Agency:					
Direct award:					
Urban Waters Small Grants	66.440	N/A		$ 2,867	
Environmental Education Grants	66.951	N/A		50,283	
Total U.S. Environmental Protection Agency				$ 53,150	
U.S. Department of Homeland Security:					
Pass-through program from: State of Louisiana, Office of Homeland Security and Emergency Preparedness					
Disaster Grants - Public Assistance	97.036	1792-DR-LA, 1603-DR-LA-0411, & VARIOUS OTHERS		$ 19,379,829	
Hazard Mitigation Grant Program	97.039	1792-022-0002, 1603-071-0039, & VARIOUS OTHERS		16,539,784	
Pass-through program from: City of New Orleans					
Hazard Mitigation Grant Program	97.039	1603-DR-LA-0429		3,620,984	
Total Hazard Mitigation Grant Program				20,160,768	
Total U.S. Department of Homeland Security				39,540,597	
Total Federal Grant Expenditures				$ 39,593,747	
U.S. Environmental Protection Agency:					
Pass-through program from: Louisiana Department of Environmental Quality					
Capitalization Grants For Clean Water State Revolving Funds	66.458	CS221090-01	$ 7,755,000	$ -	$ 7,333,000
Total Federal Award Loans			$ 7,755,000	$ -	$ 7,333,000

Total Federal Grant Expenditures	$ 39,593,747
Loan Balance at December 31, 2015	7,755,000
Federal Loan Expenditures in 2016	-
Total Federal Loan Expenditures	7,755,000
Total Federal Award Expenditures	**$ 47,348,747**

See accompanying notes to the schedule of expenditures of federal awards.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Sewerage and Water Board of New Orleans (the "Board") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Example Entity.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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. The Board has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

(4) Relationship to Basic Financial Statements

Federal awards are included in the statement of net position and the statement of revenues, expenses and changes in net position as follows:

Bonds payable, at December 31, 2015	$	7,755,000
Payment made during 2016		(422,000)
Bonds payable, at December 31, 2016	$	7,333,000
Capital contributions	$	39,593,747

(5) Loans Payable to Federal Agency

The Board entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the Board $9,000,000 to fund sewer main replacements, point repairs, replacement of associated service connections and laterals, sewer line rehabilitation by cured in-place pipe lining and manhole rehabilitation. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ will be evidenced through the Sewerage Service Subordinate Revenue Bonds, Series 2011. Annual principal payments are due beginning November 1, 2013 and continuing through November 1, 2032. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on May 1, 2012 and are due semi-annually thereafter. As of December 31, 2016, $7,333,000 is recorded as bonds payable.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

(1) Summary of Independent Auditors' Results

(a) The type of report issued on the basic financial statements: **Unmodified Opinion**

(b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes**; Material weaknesses: **Yes**

(c) Noncompliance which is material to the basic financial statements: **Yes**

(d) Significant deficiencies in internal control over major program: **No**;
Material weaknesses: **No**

(e) The type of report issued on compliance for major program: **Unmodified Opinion**

(f) Did the audit disclose any audit findings which the independent auditor is required to report in accordance with 2 CFR 200.516(a)? **No**

(g) Major program:

CFDA No. 97.039 – Hazard Mitigation Grant Program

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$1,187,812**

(i) Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes**

(2) Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards*

2016-001 Customer Accounts, Receivable and Revenue

Criteria: The Board should have adequate internal controls in place to ensure customer accounts are reconciled monthly to the general ledger systems. In addition, the Board should have procedures in place to ensure that all customers are properly billed on a monthly basis.

Condition: The Board implemented a new customer billing system in October 2016 which substantially changed the complexity of the processing environment from a once-daily batch update process to a real-time continuous update process. (a) The Board recorded adjustments during the audit to correct customer accounts due to delays in the monthly billing processes. (b) Management discovered that a significant number of accounts were not timely billed. (c) Adjustments were also required to resolve differences in revenue and receivables between the customer billing system and the general ledger. (d) The Board did not perform reconciliations in a timely manner to ensure that general ledger account balances were complete and accurate.

Cause: (a) The Board prepared bills in late December 2016 but did not release the bills until early January 2017 while reviewing the bills for accuracy. (b) The Board did not prepare bills on a timely basis when old customers moved out and new customers moved due to the lack of a meter reading taken when the old customer moved out. (c) The Board balanced the new system to the old system at the time of cutover to the new system but did not balance the new system to the general ledger at that time. (d) Customer accounts receivable balances were not properly reconciled to the customer billing system resulting in significant adjustments subsequent to year-end.

Effect: During the audit process, material adjustments were posted by the Board to the customer revenue and receivable balances. In addition, due to delayed billings of customer accounts, invoices were not generated on a timely basis and certain fees were not billed to the customers affected. As a result, a potential loss of revenues to the Board was identified.

Recommendations: The Board should develop procedures to ensure that billings are completed in a timely manner. These procedures should include performing analysis to detect unusual fluctuations due to errors and reconciling the billing system to the Board's general ledger system on at least a monthly basis.

Management's Response: Management concurred with the finding and outlined a corrective action (See page 13).

2016-002 Reconciliation of Construction in Progress

Criteria: The Board has a significant number of construction projects in progress. The Board should have systems of internal accounting control, which provide for proper accounting and financial reporting of capital assets, including the proper recording of the completion of construction projects.

Condition: The Board did not have adequate policies, procedures, and internal controls in place to ensure that all construction projects that were substantially complete were closed out and transferred to depreciable assets on a timely basis. In addition, the Board did not timely provide a detail of open construction projects that agreed to the amount reported.

Context: During audit procedures, we noted that projects that were substantially complete had not been transferred to depreciable assets. In addition, the detailed listing of open projects did not agree to the amount of construction in progress (CIP) recorded in the general ledger.

Cause:	The Board has not performed sufficient procedures to ensure that projects that were essentially completed had been closed out from construction work-in-progress to the plant ledger.
Effect:	Significant adjustments were posted by the Board to the capital asset balances.
Recommendations:	The Board should improve policies and procedures and related internal controls to ensure that capital assets are properly classified. These controls should include maintaining accurate and complete CIP listings and appropriate review of depreciable asset and CIP balances to ensure proper accounting and financial reporting. The Board should also strengthen its reconciliation of its CIP listing and implement a formal review procedure of the capital assets roll forward and projects within the CIP account to ensure that the amounts recorded on the roll forward agree to the amounts recorded on the trial balance by individual capital asset account.
Management's Response:	Management concurred with the finding and outlined a corrective action (See page 13).

2016-003 Theft of Inventory

Criteria:	The Board should have systems of internal control to prevent and detect theft of inventory.
Condition:	The Board did not have adequate systems of internal control in place to prevent or detect the theft of inventory on a timely basis.
Context:	On December 14, 2016, the New Orleans Office of Inspector General (OIG) and the Board announced the findings of an OIG investigation into theft of brass fittings by ten (10) Board employees, as listed below, located at the Board's Central Yard Warehouse and Carrollton Plant Warehouse. The OIG determined that between January 2013 and June 2016, ten (10) of the Board's employees sold approximately 34,000 pounds of brass to scrap metal yards in the New Orleans area. The Board purchased these brass fittings at approximately $15.30 a pound which resulted in a loss of approximately $527,000.

2016-003 Theft of Inventory (continued)

The OIG referred the results of the criminal investigations of the ten employees to the Orleans Parish District Attorney's Office. All individuals involved were terminated, resigned, or retired prior to termination in August 2016. The investigation has been completed by the District Attorney's Office, which has issued arrest warrants for these individuals to be booked on counts of theft of metals and malfeasance in office. The District Attorney's Office has not provided the current status of adjudication as of the date of this report. The Board did not file an insurance claim, and no restitution has been made by the responsible individuals.

Names of employees

Cedric Beaulieu, Darrell Fairley, Marlon Hughes, Traivus James, Sam Johnson, Keith Martin, Farid Mateen, Darrin Robinson, Chester Rollins, Kenneth Webster, Vincent Bryant, Jerome Campbell, Jarvis Davis, Augusta Grimes, Ivory Handy, Jeffery Kelly, Derrick Pinkney,
Donald Theodore, and Calvin Thomas.

Cause: The Board did not have effective preventative processes and procedures over safeguarding of its asset and adequate controls in place to detect the theft.

Effect: The Board lost an estimated $527,000 of inventory due to theft.

Recommendations: As a result of the finding, the Board implemented changes to its security and logistics measures. The Board should continue to assess its preventative processes and procedures over safeguarding of its assets. In addition, the Board should communicate with its employees the importance of ethical behavior and the Board's code of conduct.

Management's Response: Management concurred with the finding and outlined a corrective action (See page 13).

(3) **Findings and questioned costs related to federal awards**

None noted.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

Year ended December 31, 2016

The Board had no prior year audit findings.

"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21ST CENTURY"

Sewerage & Water Board OF NEW ORLEANS

MITCHELL J. LANDRIEU, President
SCOTT JACOBS, President Pro-Tem
CEDRIC S. GRANT, Executive Director

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August 23, 2017

Ms. Brandy Smith, Partner
Postlethwaite & Netterville, APAC
One Galleria Blvd., Ste. 2100
Metairie, LA 70001

RE: Corrective Action Plan for Findings in 2016 Audit

Dear Ms. Smith:

This letter is intended to document the Corrective Action Plan for findings 2016-001, 2016-002, and 2016-003 contained in the 2016 Audit.

2016-001 Customer Accounts, Receivable and Revenue

Criteria: The Board should have adequate internal controls in place to ensure customer accounts are reconciled monthly to the general ledger systems. In addition, the Board should have procedures in place to ensure that all customers are properly billed on a monthly basis.

Condition: The Board implemented a new customer billing system in October 2016 which substantially changed the complexity of the processing environment from a once-daily batch update process to a real-time continuous update process. (a) The Board recorded adjustments during the audit to correct customer accounts due to delays in the monthly billing processes. (b) Management discovered that a significant number of accounts were not timely billed. (c) Adjustments were also required to resolve differences in revenue and receivables between the customer billing system and the general ledger. (d) The Board did not perform reconciliations in a timely manner to ensure that general ledger account balances were complete and accurate.

Cause: (a) The Board prepared bills in late December 2016 but did not release the bills until early January 2017 while reviewing the bills for accuracy. (b) The Board did not prepare bills on a timely basis when old customers moved out and new customers moved due to the lack of a meter reading taken when the old customer moved out. (c) The Board balanced the new system to the old system at the time of cutover to the new system but did not balance the new system to the general ledger at that time. (d) Customer accounts receivable balances were not properly reconciled to the customer billing system resulting in significant adjustments subsequent to year-end.

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Effect: During the audit process, material adjustments were posted by the Board to the customer revenue and receivable balances. In addition, due to delayed billings of customer accounts, invoices were not generated on a timely basis and certain fees were not billed to the customers affected. As a result, a potential loss of revenues to the Board was identified.

Recommendations: The Board should develop procedures to ensure that billings are completed in a timely manner. These procedures should include performing analysis to detect unusual fluctuations due to errors and reconciling the billing system to the Board's general ledger system on at least a monthly basis.

Corrective Action Plan: Management agrees with this recommendation and has already accomplished the items specifically identified in the Condition and Cause. (a) Management has significantly reduced the frequency of occasions when bills are being held for extensive review before being released. (b) Management has resolved the problem of lacking a meter reading when a customer moves out. (c) Management has resolved the reconciliation of the new system to the general ledger. (d) Management has significantly reduced the problems reconciling the new customer accounts receivable balances on the general ledger to the customer billing system. In addition, Management has engaged consultants to review the processes that make up the entire revenue cycle to improve the internal controls to ensure customer accounts are reconciled monthly to the general ledger systems and to ensure that all customers are properly billed on a monthly basis. This review will be completed and the changes needed to accomplish this recommendation will be implemented by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

2016-002 Reconciliation of Construction in Progress

Criteria: The Board has a significant number of construction projects in progress. The Board should have systems of internal accounting control, which provide for proper accounting and financial reporting of capital assets, including the proper recording of the completion of construction projects.

Condition: The Board did not have adequate policies, procedures, and internal controls in place to ensure that all construction projects that were substantially complete were closed out and transferred to depreciable assets on a timely basis. In addition, the Board did not timely provide a detail of open construction projects that agreed to the amount reported.

Context: During audit procedures, we noted that projects that were substantially complete had not been transferred to depreciable assets. In addition, the detailed listing of open projects did not agree to the amount of construction in progress (CIP) recorded in the general ledger.

Cause: The Board has not performed sufficient procedures to ensure that projects that were essentially completed had been closed out from construction work-in-progress to the plant ledger.

Effect: Significant adjustments were posted by the Board to the capital asset balances.

Recommendations: The Board should improve policies and procedures and related internal controls to ensure that capital assets are properly classified. These controls should include maintaining accurate and complete CIP listings and appropriate review of depreciable asset and CIP balances to ensure proper accounting and financial reporting. The Board should also strengthen its reconciliation of its CIP listing and implement a formal review procedure of

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the capital assets roll forward and projects within the CIP account to ensure that the amounts recorded on the roll forward agree to the amounts recorded on the trial balance by individual capital asset account.

Corrective Action Plan: Management agrees with this recommendation. Management is changing the organizational responsibilities related to accounting for construction work-in-progress and capital project closeout. As part of this change in responsibilities, the Board will improve the policies and procedures and related internal controls for project accounting. The changes needed to accomplish this recommendation will be implemented by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

2016-003 Theft of Inventory

Criteria: The Board should have systems of internal control to prevent and detect theft of inventory.

Condition: The Board did not have adequate systems of internal control in place to prevent or detect the theft of inventory on a timely basis.

Context: On December 14, 2016, the New Orleans Office of Inspector General (OIG) and the Board announced the findings of an OIG investigation into theft of brass fittings by ten (10) Board employees, as listed below, located at the Board's Central Yard Warehouse and Carrollton Plant Warehouse. The OIG determined that between January 2013 and June 2016, ten (10) of the Board's employees sold approximately 34,000 pounds of brass to scrap metal yards in the New Orleans area. The Board purchased these brass fittings at approximately $15.30 a pound which resulted in a loss of approximately $527,000. The OIG referred the results of the criminal investigations of the nineteen employees to the Orleans Parish District Attorney's Office:

Cedric Beaulieu, Darrell Fairley, Marlon Hughes, Traivus James, Sam Johnson, Keith Martin, Farid Mateen, Darrin Robinson, Chester Rollins, Kenneth Webster, Vincent Bryant, Jerome Campbell, Jarvis Davis, Augusta Grimes, Ivory Handy, Jeffery Kelly, Derrick Pinkney, Donald Theodore, and Calvin Thomas.

All individuals involved were terminated, resigned, or retired prior to termination in August 2016. The investigation has been completed by the District Attorney's Office, which has issued arrest warrants for these individuals to be booked on counts of theft of metals and malfeasance in office. The District Attorney's Office has not provided the current status of adjudication as of the date of this report. The Board did not file an insurance claim, and no restitution has been made by the responsible individuals.

Cause: The Board did not have effective preventative processes and procedures over safeguarding of its asset and adequate controls in place to detect the theft.

Effect: The Board lost an estimated $527,000 of inventory due to theft.

Recommendations: As a result of the finding, the Board implemented changes to its security and logistics measures. The Board should continue to assess its preventative processes and procedures over safeguarding of its assets. In addition, the Board should communicate with its employees the importance of ethical behavior and the Board's code of conduct.

Corrective Management agrees with this recommendation, has completed a review and update of

Action Plan:	policies and procedures, has communicated with employees regarding the importance of ethical behavior and the Board's code of conduct, and has implemented additional security measures at the warehouse. Management believes that no further action is required to address this recommendation.

Sincerely,

Robert K. Miller

Robert K. Miller
Deputy Director / Chief Financial Officer

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Members of the Board
Sewerage and Water Board of New Orleans

We have audited the financial statements of the Sewerage and Water Board of New Orleans (the Board) as of and for the year ended December 31, 2016 and have issued our report thereon dated June 27, 2017. In planning and performing our audit of the financial statements of the Board, we considered internal control as a basis for designing our auditing procedures 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

2016 Comments

2016-1 Preparation of schedule of expenditures of federal awards

Observation: While the Board provides the necessary information to prepare the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance, the Board does not compile the information to create a formal SEFA.

Recommendation: The Board should implement processes and procedures to prepare the SEFA in accordance with the Uniform Guidance.

Management's Response: Management agrees with this recommendation and will develop and implement procedures to ensure that SEFA is timely prepared and reviewed in accordance with the Uniform Guidance by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

Postlethwaite & Netterville

2016-2 Inventory information

Observation: While the Board performs annual inventory observation at the Central Yard, the Board does not review the values of its inventory items or perform monthly reconciliations by examining the supporting documentation to ensure the general ledger reflects current value of the items.

Recommendation: The Board should implement processes and procedures to periodically review the inventory items and their values recorded in the general ledger by examining the most recent purchase documents to ensure the fair value of the inventory items are properly reflected in the financial statements.

Management's Response: Management agrees with this recommendation and will develop and implement procedures to ensure that there is proper supporting documentation to support values of the inventory items recorded in the general ledger by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

2016-3 Reconciliation of accounts payable

Observation: During the audit process, the accounts payable reconciliation was continuously being updated to include additional invoices that were submitted for processing. The Board did not have adequate controls in place to ensure completeness and accuracy of accounts payable at month-end/year-end. In addition, the reconciliation of accounts payable was not completed on a timely basis, which caused additional delays to close out projects and complete the reconciliation of property, plant, and equipment.

Recommendation: The Board should implement processes and controls to ensure timely receipt of vendor invoices and reconciliation of accounts payable.

Management's Response: Management agrees with this recommendation. Management has reviewed the accounts payable reconciliation process and will ensure that the accounts payable is reconciled at least monthly by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

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Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Board's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The Board's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of Board, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017