TECHE-VERMILION FRESH WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2016

CONTENTS

BROUSSARD
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Teche-Vermilion Fresh Water District
Lafayette, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Teche-Vermilion Fresh Water District, as of December 31, 2016 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4112 West Congress Street | P.O. Box 61400 | Lafayette, LA 70596-1400 | 337.988.4930 | 146 West Main Street | New Iberia, LA 70560 | 337.364.4554 | 103 North Avenue F | Crowley, LA 70526 | 337.783.5693

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, notes to budgetary comparison schedule, schedule of funding progress, schedules of the District's proportionate share of the net pension liability and the schedules of the District's contributions on pages 3 through 6 and pages 40 through 45 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as the schedule of compensation, benefits and other payments to agency head in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and related 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 to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

Broussard Poche LLP

Lafayette, Louisiana
June 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Teche-Vermilion Fresh Water District's financial performance provides an overview of Teche-Vermilion Fresh Water District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements, which begin on page 10.

I. FINANCIAL HIGHLIGHTS

Teche-Vermilion Fresh Water District's net position increased by $1,865,208 or 4.4% as a result of 2016's operations. The District's net position increased by $1,387,921 or 3.4% as a result of 2015's operations.

Teche-Vermilion Fresh Water District's total revenues were $5,382,728 in 2016, compared to $5,678,160 in 2015, a decrease of $295,431 or 5.2%. The District's total revenues were $5,678,160 in 2015 compared to $5,894,083 in 2014, a decrease of $215,923 or 3.7% during the prior year.

Total expenses for Teche-Vermilion Fresh Water District during the year ending December 31, 2016 were $3,517,519 compared to $4,290,239 last year, a decrease of $772,718 or 18%. The District's total expenses for the year ending December 31, 2015 were $4,290,239 compared to $3,760,685 in 2014, an increase of $529,554 or 14.1% in the prior year.

II. USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The statement of net position and the statement of activities (pages 10 through 12) provide information about Teche-Vermilion Fresh Water District's activities as a whole and present a longer-term view of Teche-Vermilion Fresh Water District's finances. Fund financial statements start on page 14. These statements tell how the services were financed in the short-term as well as what remains for future spending.

A. REPORTING TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

1. THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Our analysis of Teche-Vermilion Fresh Water District as a whole begins on page 4. One of the most important questions asked about Teche Vermilion Fresh Water District's finances is, "Is Teche-Vermilion Fresh Water District, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about Teche-Vermilion Fresh Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Teche-Vermilion Fresh Water District's net position and the changes in it. The net position, the difference between the assets and deferred outflows and the liabilities and deferred inflows, is one way to measure Teche-Vermilion Fresh Water District's financial position or financial health. Over time, increases or decreases in Teche-Vermilion Fresh Water District's net position are one indicator of whether its financial health is improving or deteriorating.

We record the fund maintained by the Teche-Vermilion Fresh Water District as governmental activities in the statement of net position and the statement of activities.

B. REPORTING TECHE-VERMILION FRESH WATER DISTRICT'S MOST SIGNIFICANT FUNDS

1. FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's General Fund, not the District as a whole.

All of Teche-Vermilion Fresh Water District's expenses are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of Teche-Vermilion Fresh Water District's general operations and the expenses paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future Teche-Vermilion Fresh Water District expenses. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

III. TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

Teche-Vermilion Fresh Water District's total net position increased in the current year from $42,160,594 to $44,025,802. The following reflects the condensed statement of net position as of December 31, 2016, with comparative figures from 2015:

TABLE I
CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
Assets:		
Current assets	$34,314,872	$32,627,110
Capital assets	12,543,404	10,698,446
Deferred outflows of resources	466,796	174,313
Total assets and deferred outflows of resources	$47,325,072	$43,499,869
Liabilities:		
Current liabilities	$ 2,135,948	$ 625,146
Long-term liabilities	1,110,177	697,585
Total liabilities	$ 3,246,125	$ 1,322,731
Deferred inflows of resources	$ 53,145	$ 16,544
Net position:		
Net investment in capital assets	$12,543,404	$10,698,446
Unrestricted	31,482,398	31,462,148
Total net position	$44,025,802	$42,160,594
Total liabilities and net position	$47,325,072	$43,499,869

The net position of Teche-Vermilion Fresh Water District's governmental activities increased by $1,865,208 or 4.4% in 2016. The net position of the District's governmental activities increased by $1,387,921 or 3.4% in 2015. Unrestricted net assets, the part of net position that can be used to finance Teche-Vermilion Fresh Water District expenses without constraints or other legal requirements, increased $20,250 or 0.1% in 2016. Unrestricted net assets decreased $746,414 or 2.32% in 2015.

The following table provides a summary of the changes in net position for the year ended December 31, 2016, with comparative figures from 2015:

TABLE II
CONDENSED STATEMENT OF CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Revenues:		
General revenues –		
Ad valorem taxes	$ 4,985,434	$ 5,120,928
Grants and contributions	133,189	138,567
Investment earnings	246,890	402,687
Other	17,214	15,978
Total revenues	$ 5,382,727	$ 5,678,160
Expenses:		
General government	$ 3,517,519	$ 4,290,239
Increase in net position	$ 1,865,208	$ 1,387,921

During the fiscal year ended December 31, 2016, property tax revenue decreased by $135,494 or approximately 2.6%; investment earnings decreased by $155,797 or approximately 38.7% primarily due to significant mark to market losses in 2016, compounded by gains in 2015, and other revenues increased by $1,236 or approximately 7.7%. Expenses decreased by $772,720 or approximately 18.0%. During the fiscal year ended December 31, 2015, property tax revenue increased by $240,564 or approximately 4.93%; investment earnings decreased by $463,365 or approximately 53.5% primarily due to significant mark to market gains in 2014 and other revenues increased by $4,222 or approximately 35.9%. Expenses increased by $529,554 or approximately 14.1%

IV. GENERAL FUND BUDGETARY HIGHLIGHTS

The Teche-Vermilion Fresh Water District's budget had one revision to increase the expenditures for the new pumps during the 2016 fiscal year and no revisions during the 2015 fiscal year. Actual revenues were more than budgeted revenues by $118,737 and actual expenditures were $6,307,423 less than budgeted expenditures during 2016.

The net change in fund balance for the year ended December 31, 2016 of $424,861 was $6,426,160 over the anticipated (budgeted) amount.

V. CAPITAL ASSETS

At the end of 2016, Teche-Vermilion Fresh Water District had $12,543,404 invested in capital assets. This amount represents a net increase of $1,844,958 or 17.2% from 2015. This increase was due primarily to construction projects, partially offset by depreciation expense during 2016. At the end of 2015, Teche-Vermilion Fresh Water District had $10,698,446 invested in capital assets. This amount represented a net increase of $2,134,335 or 24.9% from 2014.

VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor considered when preparing the fiscal 2017 budget was the ad valorem tax revenue. The ad valorem tax is expected to produce $5,094,000 or approximately 91.2% of the total budgeted revenues. Interest earnings are budgeted at $346,700 or approximately 6.2% of the total budgeted revenues. Total expenses have been fairly constant over the years. Accordingly, the 2017 budget was prepared based on 2016 results.

VII. CONTACTING THE TECHE-VERMILION FRESH WATER DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the funds maintained by Teche-Vermilion Fresh Water District and to show Teche-Vermilion Fresh Water District's accountability for the money it receives. If you have any questions or need additional financial information, contact Teche-Vermilion Fresh Water District, Mr. Donald Sagrera, Executive Director, at 315 South College Road, Suite 110, Lafayette, Louisiana 70503.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF NET POSITION
December 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash	$ 8,527,498
Investments	18,260,894
Receivables:	
Ad valorem taxes	4,260,681
State revenue sharing	88,065
Accrued interest	66,870
Inventory	3,110,864
Total current assets	$34,314,872
CAPITAL ASSETS	
Non-depreciable	$ 4,483,795
Depreciable, net	8,059,609
Total capital assets	$12,543,404
DEFERRED OUTFLOWS OF RESOURCES	
Defined benefit pension plan	$ 466,796
Total assets and deferred outflows of resources	$47,325,072

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	$ 1,839,248
Retainage payable	227,073
Accrued liabilities	42,039
Accrued annual leave, current portion due	27,588
Total current liabilities	$ 2,135,948
LONG-TERM LIABILITIES	
Accrued annual leave, net of current portion due	$ 66,382
Unfunded net pension obligation	331,313
OPEB obligation	712,482
Total long-term liabilities	$ 1,110,177
Total liabilities	$ 3,246,125
DEFERRED INFLOWS OF RESOURCES	
Defined benefit pension plan	$ 53,145
NET POSITION	
Net investment in capital assets	$12,543,404
Unrestricted	31,482,398
Total net position	$44,025,802
Total liabilities, deferred inflows of resources and net position	$47,325,072

Exhibit B

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Expenses:	
Governmental activities – fresh water supply –	
General government:	
Personnel services	$ 1,095,011
Utilities	607,570
Other services and charges	1,449,856
Depreciation	365,082
Total government activities	$ 3,517,519
General revenues:	
Ad valorem taxes	$ 4,985,434
Grants and contributions not restricted to specific programs	133,189
Investment income gains (losses)	246,890
Miscellaneous revenue	17,214
Total general revenues	$ 5,382,727
Change in net position	$ 1,865,208
Net position, beginning of the year	42,160,594
Net position, end of the year	$44,025,802

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

Exhibit C

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2016

ASSETS	
Cash	$ 8,527,498
Investments	18,260,894
Receivables:	
Ad valorem taxes	4,260,681
State revenue sharing	88,065
Accrued interest	66,870
Inventory	3,110,864
Total assets	$34,314,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 1,839,248
Retainage payable	227,073
Accrued liabilities	42,039
Total liabilities	$ 2,108,360
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue – ad valorem taxes	$ 5,129,573
Fund balances:	
Nonspendable –	
Inventory	$ 3,110,864
Assigned to –	
Replacement of equipment	23,006,075
Operation and maintenance	500,000
Contingencies	300,000
Insurance deductible	160,000
Total fund balances	$27,076,939
Total liabilities, deferred inflows of resources and fund balance	$34,314,872

See Notes to Financial Statements.

Exhibit D

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2016

Total fund balance – governmental fund	$27,076,939
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	12,543,404
Taxes and state revenue sharing revenues will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore, they are reported as deferred inflows in the fund financial statements.	5,129,573
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31 are:	
Compensated absences	(93,970)
Net pension obligation	(331,313)
OPEB obligation	(712,482)
Deferred outflows and inflows of resources related to pensions and applicable to future periods and therefore are not reported in the funds:	
Pension contributions subsequent to plan measurement date	89,539
Difference between actual and projected earnings on plan assets	303,160
Changes in proportion and differences between employer contributions and proportionate share of contributions	(247)
Changes in assumptions	73,854
Difference between actual and expected experience	(52,655)
Total net position of governmental activities	$44,025,802

See Notes to Financial Statements.

Exhibit E

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2016

Revenues:	
Taxes – ad valorem	$ 5,114,861
Intergovernmental	135,841
Investment income gains (losses)	246,890
Miscellaneous	17,214
Total revenues	$ 5,514,806
Expenditures:	
Current –	
General government	$ 2,993,337
Capital outlay	2,210,040
Total expenditures	$ 5,203,377
Excess of revenues over expenditures	$ 311,429
Fund balance, beginning	26,765,510
Fund balance, ending	$27,076,939

See Notes to Financial Statements.

Exhibit F

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Net change in fund balance – governmental fund	$ 311,429
The change in net position reported for governmental activities in the statement of activities is different because:	
The governmental fund reports capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Depreciation expense	(365,082)
Capital outlay	2,210,040
Taxes and state revenue sharing revenues recognized in the fund financial statements in the current year, but recognized as revenue in the prior year statement of activities.	(132,079)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, they are not reported as expenditures in the governmental fund. The adjustment relates to the adjustment for accrued compensated absences in the current period.	(7,560)
The effect of net pension liability, deferred outflow of resources and deferred inflows of resources related to the changes in the net pension obligation:	
Employer contributions made after the measurement date of the net pension liability	89,539
Costs of benefits earned net of required contributions	(131,594)
Net other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(109,485)
Change in net position of governmental activities	$1,865,208

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Teche-Vermilion Fresh Water District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting entity:

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary government:

Teche-Vermilion Fresh Water District - The District is a body corporate created under Act 41 of 1969. Its purpose is that of establishing, maintaining and protecting a fresh water supply in Bayou Teche and the Vermilion River in the parishes of Iberia, Lafayette, St. Martin, and Vermilion. The District is governed by a Board of Commissioners composed of one member from each of the parishes constituting the District. The members are appointed by the police juries/parish councils of their respective parishes. In addition, the St. Landry Parish Police Jury appoints an advisory member who can vote on all matters relating to drainage. The Chairman is appointed by the Commission. For financial reporting purposes, the District includes all funds and activities that are controlled by the District as an independent political subdivision of the State of Louisiana.

The activities of the parish governing authorities, school boards, independently elected parish officials and municipal level governments of the parishes constituting the District are not included within the accompanying financial statements, as they are considered autonomous governments. These units of government issue financial statements separate from that of the District.

Basis of presentation:

The District's basic financial statements consist of the government-wide statements and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide financial statements –

The government-wide financial statements include the statement of net position and the statement of activities of the District. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts – net investment in capital assets and unrestricted. The District does not have any restricted resources.

The government-wide statement of activities reports both the gross and net cost of the District. The District is supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District has no program revenues for the year ended December 31, 2016.

The net cost of the District is normally covered by general revenues (ad valorem taxes, interest income, etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund financial statements –

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. The District has only one fund, its General Fund. The General Fund is the District's general operating fund. It is used to account for all of the financial resources of the District.

Basis of accounting:

Government-wide financial statements –

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Fund financial statements –

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as "available" in the year following the assessment, when the majority of the taxes are collected. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year.

Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Use of estimates:

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

Investments:

State statutes authorize the District to invest in United States bonds, treasury notes and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments are stated at fair value, (quoted market price or the best available estimate as determined by the broker).

Fair value measurement:

Investment measured and reported at fair value are classified according to the following hierarchy:

Level 1 – investments reflect prices quoted in active markets

Level 2 – investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active

Level 3 – investments reflect prices based upon unobservable sources

The categorization of investments with the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified as Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Investments classified in Level 3 are valued based upon unobservable sources.

Inventory:

Inventory consists of spare parts and is stated at cost. Inventory is recorded under the consumption method in the fund financial statements

Fixed assets:

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

Government-wide statements –

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

	Years
Water control structures	5 - 67
Buildings and improvements	10 - 25
Equipment	5 – 20

Fund financial statements –

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

Compensated absences:

Employees of the District earn annual and sick leave at varying rates according to years of service with the District. Upon resignation or retirement, unused annual leave up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, accumulated annual leave above 300 hours and accumulated sick leave is used in the retirement benefit computation as earned service. No payment is made for accrued and unused sick leave.

In the government-wide statements, the District accrues accumulated unpaid vacation and associated related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," no compensated absences liability is recorded in the governmental fund financial statements.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System of Louisiana (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then.

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

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The District is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The District recorded no impairment losses during the year ended December 31, 2016.

Net position flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumptions must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumptions must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Equity classifications:

Government-wide statements –

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

a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation.

b. Unrestricted net positions – All other net assets that do not meet the definition of "net investment in capital assets."

Fund statements –

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

Recent accounting pronouncements:

In March 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, "*Fair Value Measurement and Application,*" which addresses how state and local governments should account and report issues related to fair value measurements. The Statement notes that a government should consider the level at which an asset or liability measured at fair value is aggregated or disaggregated for measurement, recognition or disclosure purposes. In addition, the Statement requires a government to deploy one of three valuation techniques that are appropriate and for which sufficient data is available to measure fair value. Statement No. 72 is effective for financial statements with reporting periods beginning after June 15, 2015.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" Statement No. 76 reduces the U.S. GAAP hierarchy to two categories of authoritative U.S. GAAP, and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative U.S. GAAP. Statement No. 76 is effective for fiscal years beginning after June 15, 2015.

The adoption of these Statements in the current year did not have any material impact on the financial statements, other than additional disclosures.

Note 2. Deposits and Investments

Deposits:

Custodial Credit Risk – The custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure that there is no exposure to this risk is to require the financial institutions to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. At December 31, 2016, the carrying amount of the District's demand deposits held with local banks was $1,518,912 and the bank balance was $1,585,617. Of the bank balance, $250,000 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

As of December 31, 2016, the District had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	Less Than One Year	One To Five Years	Five To Ten Years	More Than Ten Years
Fixed U.S. Government Obligations	$17,547,035	$1,766,280	$15,780,755	$ -	$ -
Mortgage Backed Securities	713,859	-	16,606	331,717	365,536
	$18,260,894	$1,766,280	$15,797,361	$ 331,717	$ 365,536

As of December 31, 2016, the District had $7,008,486 invested in money market funds which is included in cash on balance sheet – governmental fund and the statement of net position.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy for custodial credit risk as it relates to investments. All investments are uninsured, uncollateralized, and held by a bank's trust department not in the District's name.

Interest Rate Risk – As a means of limiting its exposure to fair value losses, the District only invests in the following:

1. Bonds or securities which are direct obligations of the U.S. government or any agency thereof, provided that such obligations are backed by the full faith and credit of the United States of America,

2. Repurchase agreements where the collateral for the agreement is a direct obligation of the U.S. government; as long as these agreements are in writing, have a specific maturity date, properly identify each security to which the agreement applies, and state that in the event of default by the party agreeing to repurchase the securities described in the agreement at the term contained in the agreement, title to the described securities shall pass immediately to the District without recourse,

3. Pass-through mortgage-backed securities and collateralized mortgage obligations issued by the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Federal Housing Commission; and having a minimum rating of "AA" by Moody's Standard & Poors or Fitch, and

4. Other investments which meet limitations imposed by the state of Louisiana R.S. 33:2955.

In addition, the District's policy states that the weighted average maturity of the District's investment portfolio is not to exceed 10 years and that no individual security shall have a maturity in excess of 20 years, with the exception of mortgage pools.

Credit Risk/Concentration of Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the types of investments noted in the previous paragraph. In addition, the District's investment policy limits individual issues to 10% of the portfolio; with the exception of U.S. Treasuries, where credit risk is recognized as minimal. As of December 31, 2016, all of the District's investments were in U.S. Treasuries and U.S. Government Agency securities. All of the District's investments are fixed income securities.

Note 3. Ad Valorem Taxes

Fund financial statements -

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Taxes are billed and collected by the individual parishes comprising the District.

Ad valorem tax revenue is recognized in the year following the assessment, when the majority of the taxes are actually collected.

In 2000, a 10 year tax renewal in the amount of 1.5 mills was approved by the voters of Iberia, Lafayette, St. Martin, and Vermilion parishes. The tax is for the purpose of constructing, establishing, extending, maintaining, operating and protecting a fresh water supply and abating pollution in Bayou Teche and the Vermilion River within the District. On March 27, 2010, the District's 1.5 mill tax was renewed by voters. The tax will expire in the year 2020. The Board of Commissioners has established an assessment of 1.41 mills in 2016.

Government-wide financial statements –

Ad valorem tax revenue is recognized in the year they are levied net of uncollectible amounts, as applicable.

Note 4. Long-Term Liabilities

The District's long-term liabilities consists of accrued annual leave, unfunded net pension obligation and other post-employment benefit obligation at December 31, 2016. The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016
Accrued compensated absences	$ 86,410	$ 7,560	$ -	$ 93,970
Unfunded net pension obligation	33,378	297,935	-	331,313
Other post-employment benefit obligation	602,996	109,486	-	712,482
	$ 722,784	$ 414,981	$ -	$ 1,137,765

Note 5. Pension Plan

General information about the Plan:

All employees of the District are members of the Parochial Employees Retirement System of Louisiana (System), cost-sharing, multiple employer defined benefit pension plans established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana and is administered by a separate board of trustees. The System is to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body which employs and pays persons serving the parish. It is composed of two plans, Plan A and Plan B, with separate assets and benefit provisions. The System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 – 2025 and other general laws of the State of Louisiana. Benefits are established or amended by State Statute. The System issues a publicly available financial report that can be obtained at persla.org. All employees of the District are members of Plan A.

Benefits provided:

Retirement

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees (who were hired prior to January 1, 2007) and who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. For employees hired after January 1, 2007 and who retire at age 55 with at least 30 years of creditable service, at age 62 with 10 years of creditable service or at age 67 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. As of December 31, 2016, the District had 13 active plan members.

Survivor benefits

Upon the death of any member of Plan A with five or more years of creditable service who is not eligible for retirement, the System provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Deferred retirement option plan

Act 338 of 1990 established the deferred retirement option plan (DROP). DROP is an option for a member who is eligible for normal retirement.

This option allows a member who is eligible to retire to elect to defer the receipt of benefits for three years. During this time period, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person terminated employment are paid into the DROP fund. Upon termination, a participant may receive, at their option, a lump sum from the account equal to the balance, an annuity based upon the account balance in the fund or rollover the fund to an individual retirement account.

Disability benefits

For Plan A, a member may be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has a least five years of creditable service or if hired after January 1, 2007 has seven years of creditable service, and is not eligible for normal retirement and has been certified as disabled by the State Medical Disability Board. Disability benefits are equal to the lesser of 3% of the final average compensation multiplied by the years of service, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

Contributions:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the plan year ended December 31, 2015, the actuarially determined contribution rate was 10.40% of the member's compensation for Plan A. However, the actual rate was 14.50% of annual covered payroll for Plan A. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A, exclusive of employee portion, for the year ending December 31, 2016, was $89,539, equal to the required contributions for the year.

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

At December 31, 2016, the District reported a liability of $331,313 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's required projected share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the District's proportion was .12587%, which was an increase of .000379% from its proportion measured as of December 31, 2014.

For the year ended December.31, 2016, the District recognized pension expense of $130,921. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
Deferred resources:		
Differences between expected and actual experience	$ -	$ 52,655
Changes in assumptions	73,854	-
Net difference between projected and actual earnings on pension plan investments	303,160	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	243	490
Contributions subsequent to measurement date	89,539	-
Ending balance	$ 466,796	$ 53,145

The District reported $89,539 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2017	$ 85,571
2018	$ 85,571
2019	$ 90,548
2020	$ 62,422
2021	$ -
Thereafter	$ -

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.25% (including inflation)
Investment rate of return	7.00% (net of investment expense)
Actuarial cost method	Entry age normal
Expected remaining services lives	4 year

Mortality rates were based on the RP-2000 Employee Mortality Table for active members, the RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries and the RP-2000 Disable Lives Mortality Table was selected for disabled annuitants.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2004 through December 31, 2009. The data was then assigned a credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Cost of living adjustments are based on the present value of future retirement benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Louisiana Legislature.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System'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 total pension liability.

The long-term rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block approach (bottom-up). Risk and return correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.55% for the year ended December 31, 2015.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2015 are summarized in the following table:

	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Asset class:		
Fixed income	34%	1.06%
Equity	51%	3.56%
Alternatives	12%	0.74%
Real assets	3%	0.19%
	100%	5.55%
Inflation		2.00%
Expected arithmetic nominal return		7.55%

The following presents the net pension liability of the District calculated using the discount rate of 7.00% as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% that the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability (asset)	$ 830,059	$331,313	$ (90,188)

As of December 31, 2016, the District had no amounts payable to the plan for employer and employee shares of required contributions.

Detailed information about the pension plan's fiduciary net position is available in audited stand-alone issued financial statements for the year ended December 31, 2015. Access to the audit report and financials can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated –				
Construction in progress	$ 1,680,166	$1,995,886	$ -	$ 3,676,052
Land	807,743	-	-	807,743
Total capital assets not being depreciated	$ 2,487,909	$1,995,886	$ -	$ 4,483,795
Capital assets being depreciated –				
Water control structure	$ 27,952,883	$ 38,030	$ -	$ 27,990,913
Buildings and improvements	672,947	-	-	672,947
Equipment	917,295	176,124	-	1,093,419
Total capital assets being depreciated	$ 29,543,125	$ 214,154	$ -	$ 29,757,279
Less accumulated depreciation for -				
Water control structure	$(20,591,797)	$ (264,620)	$ -	$(20,856,417)
Buildings and improvements	(342,000)	(12,722)	-	(354,722)
Equipment	(398,791)	(87,740)	-	(486,531)
Total accumulated depreciation	$(21,332,588)	$ (365,082)	$ -	$(21,697,670)
Total capital assets being depreciated, net	$ 8,210,537	$ (150,928)	$ -	$ 8,059,609
Governmental activities capital assets, net	$ 10,698,446	$1,844,958	$ -	$ 12,543,404

Depreciation expense for the year ended December 31, 2016 was charged as follows:

General government	$ 365,082

Note 7. Board Members Compensation

Board members receive $75 per diem for attendance at each official meeting of the board, not to exceed one regular meeting per month and six special meetings per year. The following reflects the per diem earned by the Commissioners:

	Number	Amount
Mike Detraz	12	$ 900
Donald Segura	10	750
Edward Sonnier	13	975
Tommy Thibodeaux	10	750
Total		$ 3,375

Note 8. Assigned Fund Balance

The District and the United States Corps of Engineers entered into an agreement of local cooperation for the construction of improvements to supplement water supply in the Teche-Vermilion Basins. This agreement requires the District to maintain and operate all works after initial completion of the Project, including major replacements as necessary. The Board of Commissioners, by resolution and on recommendation of the Corps of Engineers, has assigned $23,006,075 to provide the necessary funds for anticipated major replacements. In addition, the District has assigned $160,000 of the fund balance for insurance deductibles, $500,000 for future operation and maintenance and $300,000 for contingencies of the District.

Note 9. Postemployment Benefits Other Than Pensions

Plan description:

The District's medical benefits are provided through the Louisiana Office of Group Benefits (OGB) and involve several statewide networks and one HMO with a premium structure by region.

The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an *agent multiple-employer plan* (within the meaning of paragraph 22 of GASB 45) for financial reporting purposes and for valuation. The valuation has been performed using the standard OGB rate structure as well as the OGB "Medicare Advantage" rate structure as noted below. Medical benefits are provided to employees upon actual retirement. Employees have been assumed to be subject to the following retirement eligibility (D.R.O.P. entry) provisions: 30 years of service at any age; age 55 and 25 years of service; or, age 65 and 20 years of service. For employees hired on or after January 1, 2007, the provisions are age 55 and 30 years of service, or age 62 and 10 years of service.

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 2009, the District recognized the cost of providing post employment medical benefits (the District'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, the District's portion of health care funding cost for retired employees totaled $35,392.

Effective January 1, 2009, the District implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual required contribution:

The District's ARC is an amount actuarially determined in accordance with GASB Codification Section P50. 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 Codification Section P50) has been used for the post employment benefits. The actuarially computed ARC for the fiscal year beginning January 1, 2016 is as set forth below:

	Medical
Normal cost	$ 77,339
30 year UAL amortization amount	71,403
Annual required contribution (ARC)	$ 148,742

Net post employment benefit obligation (asset):

The table below shows the District's net other post employment benefit (OPEB) obligation (asset) for fiscal year ending December 31, 2016:

	Medical
Beginning net OPEB obligation, January 1	$ 602,996
Annual required contribution	$ 148,742
Interest on net OPEB obligation, (asset)	24,120
Adjustment – annual required contribution	(27,984)
OPEB cost	$ 144,878
Contribution	-
Current year retiree premiums	(35,392)
Change in net OPEB obligation	$ 109,486
Ending net OPEB obligation, December 31	$ 712,482

The following table shows the District's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded OPEB liability for the past three years:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	12/31/2016	$144,878	24.43%	$ 712,482
Medical	12/31/2015	$140,114	15.00%	$ 602,996
Medical	12/31/2014	$122,003	11.03%	$ 483,898

Funded status and funding progress:

In the fiscal years ending December 31, 2016, 2015 and 2014, the District made no contributions to its post employment benefits plan. The plan has not been funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2016, the most recent actuarial valuation, the AAL was $1,284,125 (all of which is unfunded as of December 31, 2016), which is defined as that portion, as determined by a particular actuarial cost method (the District uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. The total covered payroll (active plan members) amounted to $703,827 during 2016. The unfunded actuarial accrued liability as a percentage of covered payroll as of valuation date was 182.45%. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 District and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the District 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 District 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.

Actual 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:

The District has not funded the plan. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50, will be used.

Turnover rate:

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 3%.

Post employment benefit plan eligibility requirements:

It is assumed that entitlement to benefits will commence four years after earliest eligibility to enter the D.R.O.P. as described above under the heading "Plan Description." This consists of a three year D.R.O.P. period plus one additional year. Medical benefits are provided to employees upon actual retirement.

Investment return assumption (discount rate):

GASB Codification Section P50 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 the valuation. This is an estimate of the expected long-term return of a balanced and conservative investment portfolio under professional management.

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 10 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 recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans.

Method of determining 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 "State Share" premiums in the OGB medical rate schedule provided are "unblended" rates for active and retired as required by GASB 45 and have been used for valuation purposes.

Inflation rate:

Included in both the investment return assumption and the healthcare cost trend rates above is an implicit inflation rate of 2.5% annually.

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.

Below is a summary of OPEB cost and contributions for the last three years:

	2016	2015	2014
OPEB cost	$144,878	$140,114	$122,003
Contribution	$ -	$ -	$ -
Retiree premium	35,392	21,016	13,456
Total contribution and premium	$ 35,392	$ 21,016	$ 13,456
Change in net OPEB obligation	$109,486	$119,098	$108,547
Percent of contribution to cost	0.00%	0.00%	0.00%
Percent of contribution plus premium to cost	24.43%	15.00%	11.03%

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to cover any claims related to these risks.

Note 11. Commitments

At December 31, 2016, the District had fixed price contracts in progress for certain construction projects and repair projects. Total remaining expected expenditures under these contracts, all of which are expected to be settled in the upcoming year, amounted to $3,616,210 as of December 31, 2016.

Note 12. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Hospital has the following fair value measurements as of December 31, 2016:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Market for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed U.S. Government Obligations	$17,547,035	$ -	$17,547,035	$ -
Mortgage Backed Securities	713,859	-	713,859	-
Investments	$18,260,894	$ -	$18,260,894	$ -

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule G-1

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem taxes	$ 5,047,000	$ 5,047,000	$ 5,114,861	$ 67,861
Intergovernmental revenues -				
State revenue sharing	140,100	140,100	135,841	(4,259)
Realized investment income	306,400	306,400	360,321	53,921
Miscellaneous revenues	16,000	16,000	17,214	1,214
Total revenues	$ 5,509,500	$ 5,509,500	$ 5,628,237	$ 118,737
Expenditures:				
Current –				
General government:				
Personnel services -				
Salaries	$ 735,800	$ 735,800	$ 709,147	$ 26,653
Group insurance	111,000	111,000	128,814	(17,814)
Retirement	111,000	111,000	88,866	22,134
Payroll taxes	9,000	9,000	9,084	(84)
	$ 966,800	$ 966,800	$ 935,911	$ 30,889
Utilities	$ 1,206,250	$ 1,206,250	$ 607,570	$ 598,680
Other services and charges -				
Advertising	$ 30,000	$ 30,000	$ 6,750	$ 23,250
Assessors' retirement	175,000	175,000	184,509	(9,509)
Compensation – board members	5,400	5,400	3,375	2,025
Dues	10,000	10,000	19,277	(9,277)
Fuel, oil and lubricants	25,000	25,000	17,390	7,610
Insurance	105,000	105,000	68,695	36,305
Maintenance contracts	1,000	1,000	510	490
Miscellaneous	2,000	2,000	2,427	(427)
Office supplies	31,900	31,900	34,333	(2,433)

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
(Required Supplementary Information)
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Other services and charges – (continued)				
Operating supplies	42,250	42,250	28,994	13,256
Professional services	563,800	563,800	224,183	339,617
Rent	41,500	41,500	36,922	4,578
Repairs and maintenance	1,563,900	1,563,900	780,321	783,579
Telephone	14,000	14,000	16,096	(2,096)
Travel	58,000	58,000	26,074	31,926
	$ 2,668,750	$ 2,668,750	$ 1,449,856	$ 1,218,894
Total general government	$ 4,841,800	$ 4,841,800	$ 2,993,337	$ 1,848,463
Capital outlay:				
Office equipment	$ 10,000	$ 10,000	$ 1,631	$ 8,369
Automotive equipment	25,000	25,000	-	25,000
Operation and maintenance - equipment	1,130,000	2,770,000	174,493	2,595,507
Improvements	3,864,000	3,864,000	2,033,916	1,830,084
Total capital outlay	$ 5,029,000	$ 6,669,000	$ 2,210,040	$ 4,458,960
Total expenditures	$ 9,870,800	$ 11,510,800	$ 5,203,377	$ 6,307,423
Excess (deficiency) of revenues over expenditures	$ (4,361,300)	$ (6,001,300)	$ 424,860	$ 6,426,160
Budgetary fund balance, beginning	26,549,204	26,549,204	26,549,204	-
Budgetary fund balance, ending	$ 22,187,904	$ 20,547,904	$ 26,974,064	$ 6,426,160

See Independent Auditors' Report and Notes to Budgetary Comparison Schedule.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULE
(Required Supplementary Information)

Note 1. Budgets and Budgetary Accounting

The Teche-Vermilion Fresh Water District follows the procedures detailed below in adopting its budget.

1. An annual budget, prepared on a basis consistent with generally accepted accounting principles as applied to governmental units, is adopted for the General Fund. The budget is proposed by the Director and adopted by the District.

2. Any amendments must be approved by the Board of Teche-Vermilion Fresh Water District. All appropriations lapse at the end of the fiscal year.

Budgeted amounts presented reflect the original budget and the final budget. There was one amendment to the original budget during the year.

Note 2. Differences GAAP Actuals Versus Budgetary Basis Actuals

The District budgets all items on a basis consistent with recognition requirements under generally accepted accounting principles except for the investment income. The District only budgets for interest received and realized gains and losses. Generally accepted accounting principles require the financial statements to recognize unrealized gains and losses as well. This difference resulted in the following:

Investment income recognized under budgetary basis	$ 360,321
Unrealized losses during the year	(113,431)
Investment income recognized under generally accepted accounting principles	$ 246,890
Budgetary fund balance, year ending	$26,974,064
Unrealized gain position in investments at year end	102,875
Fund balance, actual at year end	$27,076,939

Schedule G-3

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
(Required Supplementary Information)
Year Ended December 31, 2016

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UALL as a Percentage of Covered Payroll
2014	01/01/2014	-	$1,085,250	$1,085,250	-	$676,609	160.40%
2015	01/01/2015	-	$1,284,125	$1,284,125	-	$746,955	171.91%
2016	01/01/2016	-	$1,284,125	$1,284,125	-	$703,827	182.45%

See Independent Auditors' Report.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
(Required Supplementary Information)
For the Years Ended December 31, 2016 and 2015

	2016	2015
District's proportion of the net pension liability	0.12587%	0.12208%
District's proportionate share of the net pension liability	$ 331,313	$ 33,378
District's covered employee payroll	$ 688,764	$ 719,330
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	48.10%	4.64%
Plan fiduciary net position as a percentage of the total pension liability	92.23%	99.15%

Schedule G-5

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULES OF DISTRICT'S CONTRIBUTIONS
(Required Supplementary Information)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Contractually required contributions	$ 89,539	$ 104,303
Contributions in relation to the contractually required contribution	89,539	104,303
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 688,764	$ 719,330
Contributions as a percentage of covered employee payroll	13.00%	14.50%

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OTHER SUPPLEMENTARY INFORMATION

Schedule H

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2016

Agency Head: Donald F. Sagrera

Purpose	
Salary	$ 100,000
Benefits – insurance	10,288
Benefits – retirement	13,000
Car allowance	16,699
Reimbursements	1,650
Conference travel	1,071
	$ 142,708

See Independent Auditor's Report.

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*

The Board of Commissioners
Teche-Vermilion Fresh Water District
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Teche-Vermillion Fresh Water District as of and for the year ended December 31, 2016, and the related notes to the basic financial statements and have issued our report thereon dated June 29, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 responses, we identified a deficiency in internal control that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses at #2016-1 to be a material weakness.

Compliance and Other Matters

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

The Teche-Vermillion Fresh Water District's Response to the Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. This report is intended for the information and use of the Teche-Vermillion Fresh Water District, management, others within the entity, federal awarding agencies and pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.

Broussard Poche LLP

Lafayette, Louisiana
June 29, 2017

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

We have audited the basic financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2016, and have issued our report thereon dated June 29, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2016 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control		
Material weaknesses	X Yes	_ No
Control deficiencies identified that are not considered to be material weaknesses	_ Yes	X None reported
Compliance		
Compliance material to financial statements	_ Yes	X No

Section II - Financial Statement Findings

Finding #2016-1 Segregation of Duties

Condition: The District does not have an adequate segregation of duties within the administrative office.

Criteria: An effective system of internal control procedures requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The District has a limited number of employees within the administrative offices.

Effect: Ineffective system of internal control within the administrative office.

Recommendation: While we recognize that the District may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. Keeping in mind the limited number of employees to which duties can be assigned, the District should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Management Response: We have segregated duties as much as possible. We will continue to monitor the situation.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF PRIOR FINDINGS
Year Ended December 31, 2016

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

Finding #2015-1 Segregation of Duties

Recommendation: While we recognize that the District may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. Keeping in mind the limited number of employees to which duties can be assigned, the District should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status: No change in current year. Finding repeated at #2016-1.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.